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## NEWS SUMMARY

### GENERAL

## London letter bombs warning

The delivery of two letter bombs in London yesterday led police to warn that they might be the start of another explosive-mail campaign and to counsel extreme caution with any suspicious post.

Both devices were posted in Dublin where, last night, theories about their originators ranged from the *Provos* to disaffected IRA "freelancers." No one has yet claimed responsibility.

The bombs, both concealed in hollowed-out paperback books, inflicted minor injuries on Lady Onslow, 60, at her Kensington home and on a 30-year-old secretary at Alcan Aluminium in Mayfair.

In 1973, Lady Onslow acted as a contact between self-styled spy Kenneth Littlejohn and the British Government. Alcan's Irish connection appeared to be recently announced plans for a £170m plant in the Republic. A full alert security operation was initiated at the Old Bailey yesterday for the start to-day of the trial of three Irishmen and a teenage girl accused of last October's Guildford pub bombings in which five died.

## 11 charged after Yard raids

Scotland Yard said last night that eight men had been charged with conspiracy to defraud the Royal Insurance Company of £153,369. Two others were charged under the Firearms and Explosives Act 1969, another for dishonestly handling precious stones. The charges follow arrests made for week-end raids on homes in East Anglia and London. Ten will appear in court in Great Yarmouth to-day.

## Maudling to stay

Mr. Reginald Maudling, "shadow" Foreign Secretary, said yesterday he would not resign because of references to his name in the Malta corruption proceedings involving the former Poulson empire. He was surprised his name had been mentioned at the trial and said he had had no approaches from the Maltese authorities. He confirmed he was interviewed recently by police officers investigating the Poulson affair.

## Girls freed

Two fearful English schoolgirls, Teresa Laws and Lynn Francis, were set free and told to go home to school by a Nairobi magistrate yesterday. He had found them guilty of currency-exchange offences but he blamed their mothers, with whom they were reunited, for allowing them to fall into the hands of the plotters.

## Jensen 'broke'

Another famous British quality car marque went into receivership yesterday. Jensen Motors chairman Mr. Kjell Qvale blamed inflation, the oil crisis, labour trouble and exhaust and safety legislation. Back Page, Page 8

## Olympics on TV

Settlement of the dispute over payment for rights means that Britain will get its promised 170 hours of TV coverage of the 1976 Montreal Olympics. Page 8

## People and places

A runaway train careered downhill killing three people and injuring six others in Lisbon yesterday. Strathclyde University researchers believe it may have found an antidote for poisoning by the weedkiller paraquat.

Raiders who drove a car into the window of a Natusant bank in Waltham Cross, Essex, got away with £10,000. Leicestershire won the County Cricket championship for the first time.

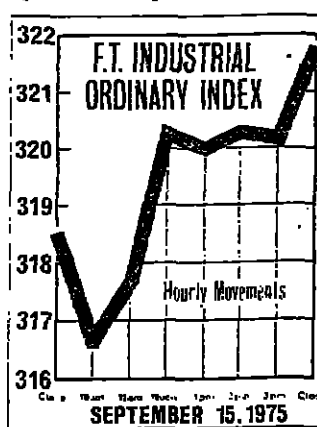
## CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)	
<b>RISES</b>	
Treasury 12½ 1975 ENG + 1	
Alexanders Discount 207 + 12	
BBA Group 117 + 4	
Babcock & Wilcox 117 + 4	
Bootham 304 + 6	
Benfield & Loxley 26 + 3	
Rover 156 + 3	
DRG 101 + 3	
Guardian Royal Ex. 190 + 10	
Highland Distillers 94 + 7	
Hoffmann (S.) 41 + 5	
Howard Machinery 44 + 4	
ICI 271 + 8	
Latham (Hamm) 123 + 8	
Lloyds Bank 230 + 3	
Nairn & Williamson 98 + 4	
News International 193 + 7	
Pittsburgh 249 + 5	
Rank Org. "A" 136 + 4	
Sanger (J. E.) 41 + 4	
T.C.K. Group 100 + 6	
Tate & Lyle 225 + 5	
BP 323 + 3	
Durban Deep 085 + 55	
S.A. Land 205 + 15	
Unilever 253 + 10	
Western Holdings 232 + 1	
Winkellbank 955 + 25	
<b>FALLS</b>	
Appleyard 22 - 3	
Furness Withy 225 - 3	
Low & Bonar 138 - 4	
Reynolds Parsons 58 - 3	
Sunley (Bernard) 128 - 3	
United Biscuits 96 - 4	
White Child & Beney 39 - 4	
Wood Hall Trust 72 - 1	
Gold Mrs. Kalschauer 80 - 5	
Hampton Areas 80 - 6	
Unkbridge 61 - 4	

### BUSINESS

## Equities rise 3.3: gilts improve

EQUITIES shook off uncertainty prompted by the steel strike threat, and occasional buying left final quotations a little better.



The FT 30-share index closed 3.3 higher at 321.8. Trading was extremely quiet.

GILTS rose when a relatively small demand found the market none too well supplied with stock. Shorts gained 1, while longs put on 1.

GOLD gained 5; in quiet trading to close at \$148.

STERLING lost 10 points to \$2.1060. Its weighted depreciation was unchanged at 27.4 per cent. The dollar's fall narrowed to 2.49 (2.52) per cent.

WALL STREET closed 6.10 lower at 803.19 in the slowest trading since November because of the Yom Kippur holiday.

U.S. manufacturing and trade sectors fell \$580m. in July, considerably more than the June decline of \$425m. This suggests there is still no end to the de-stocking which has dragged down the U.S. economy all year, writes Paul Lewis. Page 5

FRENCH TAX on Italian wine imports is illegal under the Treaty of Rome and must be removed at once, the European Commission has ruled. Back Page

P.O. cuts may mean 20,000 redundancies

POST OFFICE telephone equipment orders may have to be cut more savagely than has been feared, and 20,000 jobs could be lost. Back Page

BANK OF ENGLAND is to provide £3m. to the liquidator of the Israel-British Bank (London) as part of an agreement designed to maximise the assets of the bank available to creditors, who include major U.K. and U.S. banks. Back Page

MR. IAN MACGREGOR, Scottish-born chief executive of American Metal Climax, is expected to become a non-executive director of British Leyland. It seems it was suggested he might take over as chairman, but his main job until his retirement in two years will remain with Amox. Men and Matters. Page 18

## COMPANY RESULTS

ROLLS-ROYCE MOTOR Holdings first-half profits have risen by £488,000 to £2.16m. Indications are that the full year could better the £4.55m. achieved in 1974. Page 21 and Lex

UNITED BISCUITS (Holdings) half-year sales rose by £69m. to £215m. and pre-tax profits have increased by £3.8m. to £5.2m. Page 21 and Lex

UNION CRIMQUE BELGE first half group pre-tax figures show a downturn to a loss of B.Fr.84m. (£1.14m.) from a profit of B.Fr.58m. The chief black spot was British Sidac, for which the group has rationalisation plans. Page 23

# Tories will trim Welfare State, says Mrs. Thatcher

BY JOHN BOURNE, LOBBY EDITOR

The next Tory Government would seek to trim the provisions of the Welfare State, and reverse the trend towards redistribution of wealth and incomes, Mrs. Margaret Thatcher, Conservative Party Leader, said in a major speech due to be delivered in New York last night.

"Government must limit its responsibilities where their scope and scale hampers profits, investment, innovation and future growth. It must temper what may be economically desirable with what is economically reasonable," Mrs. Thatcher was due to tell the Institute of Socio-Economic Studies.

The British Government must strike a proper balance between the growing demands and powers of the State and the vital role of private enterprise. This was by far the best method of harnessing the energy and ambition of the individual to increasing the wealth of the nation, pioneering new products and technologies, holding down prices through the mechanism of competition, and widening the range of choice of goods, services and jobs.

The ideas of the "progressive" consensus about the provision of social welfare and redistribution of wealth in Britain were being questioned right across the political spectrum, the speech added. "It is not that our people are suddenly reverting to the ideals of total laissez-faire, or rejecting the social advances of recent decades."

## Constructive

"Rather, they are reviving a sober and constructive realism in the noble ideals of personal responsibility, because in some respects the concepts of social

responsibility have turned sour in practice. "Our people are making an attempt to identify and eliminate errors and fallacies, to consolidate and retrench before advancing."

"The persistent expansion of the role of the State and relentless pursuit of equality has and is causing damage to our economy in a variety of ways. It is not the sole cause of what some have termed 'the British sickness' but it is a major one."

Research has shown that after tax incomes distribution in 1973 in Britain—1 per cent. of the top earners receiving 4 per cent. of incomes with the top 10 per cent. having twice the average and the bottom 10 per cent. a bit under half—is "surprisingly similar to Poland."

The share of the top 1 per cent. of earners had been halved between 1938 and 1949 and fallen by a further third by 1973.

Capital assets of the top 1 per cent. of the population had dropped from 69 per cent. of total wealth in 1911 to 28 per cent. in 1973. The top 1 per cent. pension rights were included.

"The rich are getting poorer: the poor are getting richer." A recent opinion poll had shown there was little spontaneous demand in Britain for redistribution of earnings across broad occupational categories, and that such redistribution would not ease the pressure for more pay.

For Northern Ireland. Once their conflicting views have been presented to the Convention, the Assembly's chairman, Sir Robert Lowry, will together with his staff, draft a balanced report to Westminster reflecting them all.

It is expected that to-morrow's session of the Convention will also vote an adjournment of one week, with the likelihood that the parties will later opt for further adjournments to allow them time to draw up reports. The chances, therefore, of the November 8 deadline for report seem remote and Northern Ireland Secretary, Mr. Merlyn Rees, will no doubt be asked to extend the Assembly's life by a further three months.

The idea of a "chairman's report" was strongly urged last week by the UUCU decision to provide a UUCU decision to push through the Convention, a majority report, rejecting power-sharing in defence of Westminster's original guidelines on the issue, and at the same time stating that his own views are included.

Although fears that the Convention was on the verge of breaking up under the strain of the Unionists' rejection of emergency coalition has been slightly allayed by the news that it is to continue talking, it is evident that the inter-party talks between the UUCU and SDLP that attempted to hammer out a

compromise on devolved government have failed.

Nor is there much chance of their being resumed. The SDLP has stated its opposition to further negotiation, while the victory of the Democratic Unionist Party leader, the Rev. Ian Paisley, over Mr. Craig on the issue of emergency coalition government makes it plain that however lengthy the Convention's reporting, the net result will be the UUCU's firm refusal to discuss Catholic Cabinet participation in any Northern Ireland Government.

On Thursday, the UUCU's 48-strong majority of Convention members is to meet for a fresh round of policy talks now that the question of Mr. Craig's emergency pact has been dealt with. It is understood that Mr. Craig will attempt to persuade the meeting of the urgent need for such a pact as being the only way to avoid all-out civil war in the province. But his decision to press ahead with his moderate solution is being seen as a face-saving move rather than a serious political effort.

That Mr. Craig has returned to his Party's leadership within the Convention suggests that during the coming months he will unobtrusively fall back in line with the Vanguard Party's traditional brand of militancy. In the meantime, Dr. Paisley has now established himself as the Unionist three-party coalition's most influential figure.

continued deadlock, BSC decided to bring the issue to a head by proceeding to commission the furnace—a move which sparked off the strike over the weekend when a blastfurnaceman was taken off pay for refusing to co-operate with the commissioning.

The National Union of Blastfurnacemen has already threatened a national strike over this issue, and according to Mr. Smith, the executive will make the dispute official next week-end. Some 400 blastfurnacemen BSC's Cleveland works on Teesside came out in sympathy with their Llanwern colleagues yesterday and those at Scunthorpe and East Moors, Cardiff, are expected to come out to-day. Those at other plants are to hold meetings over the next few days.

Mr. Michael Morris, a Conservative MP has called for a Government inquiry to discover why BSC is apparently "ill prepared" with steel stocks. He has also written to Mr. Murray with a message to the steel workers to "stop this farce and cool off." Consequences of the strike, Page 10

supplies from Europe, especially for the motor industry, where steel stocks have been allowed to dwindle. The first lay-offs, some 3,500, will come later this week at Llanwern where all production of iron and steel is at a standstill and hot rolling has also been halted as a result of the blastfurnacemen's refusal to work the new Number Three furnace. They have rejected BSC's offer of immediate increases of up to 210 a week which management maintains will be worth up to 210 a week when the furnace—BSC itself, is expected to put more pressure on Mr. Smith to try the strike and take to arbitration the thorny issue of pay rates for manning a new generation of furnaces being introduced at Llanwern.

Top officials of the independent Advisory Conciliation and Arbitration Service yesterday had separate "exploratory" discussions with Mr. Smith and with Mr. Henry Jones, BSC director responsible for industrial relations, and may decide to try to bring the two sides together. Meanwhile the BSC has begun running down its production and taking steps to import steel furnaces in action. But after

## Retail sales stay at low level

By William Keegan, Economics Correspondent

RETAIL SALES during July and August fell 5 per cent. below the average level for the first half of this year. This confirmation of the effects of the deepening U.K. recession and the squeeze on consumers' real incomes came yesterday from the Department of Industry.

It was already known that the volume index of retail sales—which accounts for nearly half of consumer spending—was down to 104.7 by July (base year 1971=100, seasonally adjusted).

Now, the Department of Industry's index for August shows that, at 105 (provisional estimate) the volume index was little changed from the July level.

This means that sales in August were running 6 per cent. below the level of August, 1974, and that in July and August together they averaged 5 per cent. down on the average level in January-June this year.

In value terms—that is, including the effects of inflation—the rate of increase has come down from 20 per cent. between June, 1974, and June, 1975, to 19 per cent. (July to July) and 17 per cent. (August to August). It may be that the extraordinarily good weather this summer distorted the seasonal adjustments. Even so, the recent pattern of retail sales suggests that they are running below what most forecasters, including the Government, envisaged earlier this year.

Retail sales have been hit by the fact that prices have been catching up on increases in take-home pay—a measure by the official earnings statistics—even though wage rates and wage settlements were rising again right until the Government unveiled its incomes policy in July. There was the further effect of the Government's tax increases.

The mere announcement of the 56 limit may have had a psychological effect on consumers' spending plans in July and August. And so far, the evidence points to the view that in the recession people have not drawn significantly on their savings, or saved less out of income.

These factors add up to a fairly consistent picture, and their influence has hardly been offset by the depressed state of consumer demand for loans from banks or hire purchase companies.

Insofar as the consumer spending picture is even more depressed than the Chancellor and his advisers expected at the time of the Budget, the Chancellor's reversal from the indirect taxes levied on spending will be that much less, and the Government's borrowing requirement more. Editorial Comment, Page 18

## Egypt/PLO split looms over hostages

BY RICHARD JOHNS

PRESIDENT Sadat's Government yesterday charged the Palestine Liberation Organisation and Mr. Yasser Arafat, its chairman with responsibility for the lives of the three diplomats held hostage in the Egyptian Embassy in Madrid by four terrorists.

In the first-though not unexpected—violent challenge by Palestinians against the Sinai disengagement agreement with Israel concluded earlier this month, the gunmen threatened to kill the hostages unless the Egyptian delegation drafting the implementing agreements left Geneva by midnight.

Last night, the Iraqi Ambassador who, together with his Libyan, Algerian and Kuwaiti colleagues, had been negotiating with the Palestinian extremists said that they had agreed to fly from Madrid with their hostages on an Algerian aircraft which was on its way to Spain. The envoys' fate remained uncertain, but the day-long drama in Madrid, graphically highlighted Arab divisions over the Sinai accord.

In a previously scheduled TV and radio broadcast, President Sadat spelt out Egypt's commitment to honour the terms of the disengagement agreement. In contrast, Mr. Arafat, in an interview with a Kuwaiti newspaper, asserted, "The pledge to refrain from the use of force by Egypt and Israel places obstacles tantamount to depriving future generations of the chance of victory."

Reacting to the terrorists' demand with a strong statement which implicitly threatened an open split between Cairo and the resistance movement, Egypt had earlier called upon the PLO and "all responsible Palestinians" to take "decisive measures" to secure the immediate release of Mr. Mahmoud Abdel Chaffar, Egyptian Ambassador in Madrid, Mr. Mohammed el Shafiq Mekki, the Consul and Mr. Mohammed el Afia, the press attaché.

In Beirut, the PLO, which

groups most of the mainstream guerrilla organisations, and the extremist Popular Front for the Liberation of Palestine both denied any connection with the seizure of the Embassy by the men who identified themselves obscurely as "The Commando of the Fallen Abdel Kader al Hussein."

Emphasising its traditional condemnation of such operations, the PLO undertook to "do everything possible to ensure the safety of our Egyptian brothers." With apparent concern about the deterioration of relations with Cairo, the statement added defensively, "If the Egyptian authorities have any intentions to take action against our Palestinian people at this particular time, they do not need to take the Embassy incident as an excuse to do so."

Two senior Foreign Ministry officials, Mr. Osama el Bax and Mr. Gamal Mansour, were dispatched to Madrid to attempt to secure the release of the three diplomats. Egypt's Ambassador to the Lebanon, was instructed to convey the President's profound displeasure to Mr. Arafat.

A special top-level committee including Vice-President Hosni Mubarak, Mr. Mamdouh Saleh, the Prime Minister and Mr. Ismail Fahmy, the Foreign Minister was set up to deal with the crisis.

In Geneva, where the talks were suspended because of the Jewish holy day of Yom Kippur, the Egyptian delegation last night awaited instructions from Cairo.

Roger Matthews reports from Madrid: Tense negotiations for the safe release of the Egyptian Ambassador and his colleagues continued late into this evening.

The Ambassadors of Iraq, Libya, Algeria and Kuwait conducted negotiations by loud hailer, through the booby-trapped door of the embassy, which is on the first floor of an eight-storey office and apartment block.

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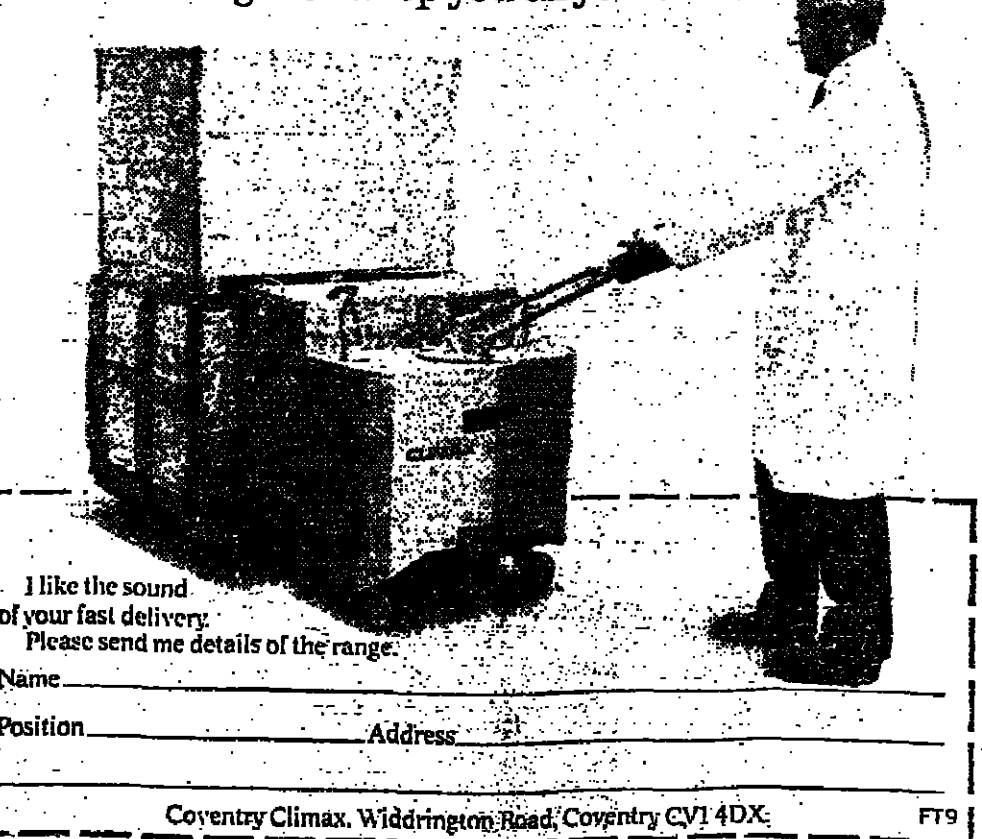
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LOMBARD

# Probing cost of Bank's role

BY C. GORDON TETHER

THE BANK of England's decision to identify itself in its June bulletin with the conventional wisdom that union wage claims would have to be subject to more stringent control if the inflation problem was to be reduced to manageable proportions attracted criticism in Labour Party circles—mainly on the grounds that it constituted an unwarranted intrusion by the central bank into the political arena. It has also come under attack from a very different quarter—the Bankers—and for a very different reason.

There is no objection there to the Old Lady expressing a point of view. But what she is not entitled to do, the Bankers argue, is to ignore the alternative view "sincerely held by a number of people who are not fools." And having pointed out that this is the case, the Bankers are now being asked to alter the distribution of money incomes, they cannot determine their overall level. It suggests that before Threadneedle Street indulges in any further pontification on these questions, the Governor should institute a searching inquiry inside his establishment "about the foundations of its economic thinking."

The logic is unassailable. Now that the relationship between economics and finance on the one hand and politics on the other is crucial to the Bank from its role in the monetary policy, it is essential that the "searching inquiry" should extend to the foundations of the Bank's thinking on the other major sectors of the nation's economic and financial life with which it is particularly concerned.

Above all, it should be prepared to make a thorough re-examination of its approach to the most hallowed of its sacred cows—the promotion of the City's international banker functions. For because of the complexities of this aspect of its financial life, the Bank's attitude here are more than usually apt to be accepted without question in official circles and in the country at large. And its mistakes can, therefore, remain

more or less permanently uncorrected. Most of the items that go to make up the substantial surplus Britain records in its invisible balance of payments would emerge well from a cost-benefit analysis. The large sum yielded by insurance, for example, is obtained without creating serious difficulties or problems for the country in other ways. It is a very different matter where the international banker business is concerned.

A clear illustration of how different is being provided just now by the way in which an already difficult economic and financial situation is being rendered significantly worse by the pressures imposed on the Bank by the withdrawal of foreign funds.

## £'s fall

Payments figures for the second quarter of the year show that a major factor in the new tumble in sterling that occurred during this period was the run-down of sterling balances arising from a deterioration in the payments experience of overseas countries holding their reserves in this form. And there is a good deal of evidence that the continuing weakness of the £ has been manifesting since then as the Bank has further withdrawals of money from London by oil-producing countries prompted by the uneasiness for their future that was generated by the £'s earlier fall.

As is now becoming apparent, such inopportune behaviour on the part of the exchange rate is not only serving to negate the efforts exporters are making to reduce the current account payments gap by eroding the foreign currency yield of the goods they are selling abroad; by exerting an upward pressure on the prices of exports, it is hampering the drive to reduce the rise in the cost-of-living just when success on this front is crucial to the survival of the Government's policy of wages restraint.

Remembering that a close connection can be traced between Britain's heavy involvement in the international hot money business and her addiction to the stop-go way of economic life that has had such devastating consequences, the strength of the case for a thorough re-examination of present policies in this field can hardly be denied. Indeed, it is hard to see what sense there is in the Government going to a great deal of trouble to devise a complicated new export strategy as a means of rehabilitating the balance of payments if nothing is going to be done to reduce the vulnerability of the £ and thence of the economy to the backwash of London's international banking traffic.



The Prime Minister yesterday welcoming Mr. Nelson Rockefeller, U.S. Vice-President (centre), and Mr. Elliott Richardson, U.S. Ambassador to Britain (right), at 10, Downing Street.

## RACING

# Birdbrook can win 'Leader'

GAVIN FRITCHARD-GORDON, who was assistant to the late Jack Leader before starting to train on his own account, will be particularly keen for Silver Yarrow to land the Jack Leader Memorial Challenge Trophy at Yarmouth today.

Silver Yarrow, who receives 7 lb from the likely favourite and course winner Great Idea has run well on both her

Robinson and Joy Gibson in the Bottom Brothers Stakes, which they landed a year ago through The Matings.

This time they rely on the course specialist Lunarizer, bidding for his fourth victory here and his second over this mile trip.

On his last appearance, Lunarizer, a five-year-old bay horse by Fortuna River, did not have the best of luck in running when a fast-finishing third of seven behind Stark Ribot and Happy Victorious in Chester's seven-furlong Autumn Handicap three weeks ago.

The additional furlong here will be to Lunarizer's advantage and I expect to see him return to winning form at the main expense of the lightly raced Nori.

A second possible winner for Robinson is the lightly-raced Queen's Harmony, who has saddles for the North Dene Handicap. A short head second to Penhill Point in a 13-runner maiden event at Leicester ten months ago, Queen's Harmony has made little show in her two races this term.

She is reported to have been working encouragingly since coming home fifth of ten behind Bala Girl here on her last appearance three weeks ago, and with Lady Lee a surprising fourth, Robinson's filly does not appear to have too stiff a task.

## BY DOMINIC WIGAN

the consistent Bright Comet in the Beaver Stakes.

This strongly-made Derringer, Do Colt was never seen with a chance when second 10 lengths behind High Drama at Thirsk 10 days ago.

However, he beat the remainder easily enough and is now to see him gain an overdue success by outpacing Levant, a product of 12, before Albion at Warwick six weeks ago.

## FT CLIPPER RACE

# GB II almost becalmed

GREAT BRITAIN II, the British boat in the Financial Times Clipper Race, was reported yesterday to be almost becalmed in the middle of the Cape Verde group of islands off West Africa. She radioed her position at 0700 as 15° 10' N, 24° 50' W, and said she had made little more than 30 miles in the past 24 hours.

The French entry, Krier II, still seemed to be running neck-and-neck towards the equator although nearer the mainland on her more easterly course. Last night she was reported to be 15° 34' N, 20° 51' W. But she too had troubles—tropical storms and the crew were said to be working hard and very tired.

CS e RB II (Italy) was last reported south of the Canaries and the Great Escape (Netherlands) was reported to be approaching the islands on Sunday night.

## FILM AND VIDEO

BY JOHN CHITTOC

# When a moving picture tells the best story

SOON after World War II, the U.S. Government commissioned a huge research project into the value of film as an instructional aid. Some of the results (published by Pennsylvania State University) confirmed what instinct had already told film practitioners: that the moving picture could be superior to the human instructor in certain teaching situations. Educationists, especially in schools, have long harboured a suspicion about film, however, and only in recent times has much of the earlier prejudice begun to disappear.

In step with the acceptance of film as a teaching aid, there has also been a regrettable acceptance of poorer quality material; this at a time when the medium should be thriving on its educational status. In part, this decline is directly attributable to economic factors: when there is pressure to reduce costs in a medium that is inherently expensive, something must go. But additionally, the spread of do-it-yourself video and film production has encouraged an unskilled and frequently pathetic standard of moving picture grammar. Ironically, this has happened when Britain has never been better served by film and video training courses and schools.

But the specialist then goes on to talk about the type of bridge or brace used behind these teeth; I forget which because at that moment I was battling to see what he was talking about. The camera failed to glide smoothly into close-up, carrying the concentration of the eye along with the words. The technique is simple enough to employ, works very well, and always lends a film considerable polish, eliminating jerky progress. Examples of this successfully done abound in the Potato Marketing Board's latest film, *Potato Progress*. When a new technique for taking cuttings from potatoes (yes, cuttings) is being explained, the viewer is not left to imagine it all. The talking experts appear against visually interesting and appropriate backgrounds and then, as the voice continues to explain how cuttings are removed from growing haulms, even from a single potato in seed, the camera shows these things, moving in to extreme close-up just when the eye wants to see more detail.

## Rhythm

What is happening, of course, is that the skilful film-maker accurately anticipates the total needs of the viewer so that no effort or struggle is involved in following the information thread. Break the rhythm by failing to show a close-up, at the psychological moment when it is unconsciously expected, and the intellectual and visual senses will get out of step.

This is only one of many factors at work in the communications process. Even more fundamental is the cogeny of the original scripting of a film or video programme. If the progression of information and ideas, selection of visuals and the intellectual structure of the spoken commentary are all badly conceived, professional excellence in assembling the whole will never overcome the basic weakness.

This I suspect, is the problem with *Seeing is Believing*, a film about computer aided design made for the Department of Industry. There comes at last with a shot of a patient's mouth and a mirror behind the teeth allows the viewer to see the general area of the subject of the talk, sound with a professional sense

## Convincing

There are also very phenomena involved in communications chain screen and audience, which are still inadequately understood. One such emerges in another education programme, *American-made Film Teeth Are Good This*.

Originally produced in the U.S., this cartoon makes its points clear convincingly enough, inevitable with cartoon because the pictures are so clearly and so effectively conveying the message of the imagination.

Importing the film, as U.S. Johnson and John neglected to do what sponsors are rightly about, re-voicing of the can commentary into English is that you, the audience, suffer tooth decay. I suspect your teeth, the press an American voice tell to an English audience a cause, viewers to from the situation.

This is just another of the many elements in, often complex, relation educational or films are made. A camera, an expert subject is not enough. Pictures have a grammar valued as the English capable of the subtle meaning and, in Chinese, but if people comprehensible to any

## TV Radio

† Indicates programmes in black and white

**BBC 1**

12.25 p.m. Dechrau Canu, Dechrau Canu. 12.55 News. 1.00 Pebble Mill. 1.45 Bagpuss. 3.38 Regional News (except London). 4.00 Play School. 4.25 Deputy. 4.50 Jackanory. 4.55 Animal Magic. 5.05 John Craven's Newsround. 5.15 Boss Cat. 5.40 The Wombles. 5.45 News. 6.00 Nationwide

**BBC 2**

6.40-7.55 a.m. Open University. 11.00 Play School. 11.25-11.50. 5.00-6.40 p.m. and 7.05-7.25 Open University. 7.25 Newsday. 7.45 The Rank Programme. 8.10 Jazz Ship. Count Basie and his Orchestra play the Jazz Ship back to New York. 9.00 Tuesday Cinema: The Blue Dahlia starring Alan Ladd and Veronica Lake. 10.35 An Artist from Moscow, film about Soviet sculptor Ernst Neizvestny whose work is still not exhibited in Moscow. 11.00 Newsnight. 11.20 Closedown. Michael Gwynn reads "London" by Peter Porter.

**LONDON**

10.20 a.m. Kresciuk: The Cruel Country. 11.20 Theatre of Stars. 12.05 p.m. Galloping Gourmet. 12.30 Simbad Junior. 12.40 Rainbow. 1.00 First Report: News. 1.10 Lunchtime Today. 1.20 Regional Flavour. 2.00 Good Afternoon. 2.30 World in Action. 3.00 World of Racing. 3.15 World of Sport. 3.30 News. 4.30 News. 4.45 News. 5.00 News. 5.15 News. 5.30 News. 5.45 News. 6.00 News. 6.15 News. 6.30 News. 6.45 News. 7.00 News. 7.15 News. 7.30 News. 7.45 News. 8.00 News. 8.15 News. 8.30 News. 8.45 News. 9.00 News. 9.15 News. 9.30 News. 9.45 News. 10.00 News. 10.15 News. 10.30 News. 10.45 News. 11.00 News. 11.15 News. 11.30 News. 11.45 News. 12.00 News. 12.15 News. 12.30 News. 12.45 News. 1.00 News. 1.15 News. 1.30 News. 1.45 News. 2.00 News. 2.15 News. 2.30 News. 2.45 News. 3.00 News. 3.15 News. 3.30 News. 3.45 News. 4.00 News. 4.15 News. 4.30 News. 4.45 News. 5.00 News. 5.15 News. 5.30 News. 5.45 News. 6.00 News. 6.15 News. 6.30 News. 6.45 News. 7.00 News. 7.15 News. 7.30 News. 7.45 News. 8.00 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by WILLIAM PACKER

compulsive activity. Panting came here from New Zealand to study, becoming one of that somewhat heterodox group of students who emerged from the Royal College in the mid-1860s. The central room in the Gallery is given over to the work of those early years, giving us the flavour rather than the substance, for space is at a premium. We see an active and creative intelligence - investigating the syntax and vocabulary of sentence, the general principles of the relations of the parts. This was done with much economy and elegance, for he was ever the stylist.

Then, in the large rooms that lead from this space, we are given more comprehensive and substantial shows, each taking one of the more recent developments. The decision to dispose the work in this way is unquestionably correct, for everything could be set down, and here we see all the effort and the problems moving towards some kind of resolution. The work is freer and more speculative than before, full of fresh ideas and full too of confidence. In its intellectual range, its formal variety, its punctilious craftsmanship and aesthetic power, it stands as a remarkable memorial to a true artist.



This exhibition was the first mounted by a group of his friends and colleagues, and then supported generously by the Arts Councils of Britain and New Zealand. John Panning himself would have been dreadfully embarrassed by such attention, but he was a subject of the quality of his work, and sure of his own limitations: his natural scepticism would have found plenty to feed on.

Now it is our turn to have our way. Sooner or later a show of this nature would have happened in any way, whether or not the people who knew him are sure. We do not have so many artists that we can afford the best of them to work away unnoticed for ever. That his fellow artists have insisted upon recognising him now, in this way, is a tribute to him that may be trusted, besides being a considerable compliment. The work speaks for itself. Stephen Furlonger, one of his oldest friends, is perfectly right when he says, in his note to the catalogue, "It is hard to imagine a more talented, his work is of the highest quality; and this exhibition is very necessary."



Friday's Prom was a superb one, one of the evocative emptiness of Westminster's peculiar, unblinded Roman Catholic Cathedral often are, so long as apt music is chosen. This one began with that ten-minute molet which, more than any other music I know, represents the heart of the celestial city, of distant loveliness, of the sensation of divine and infinite beauty. (And as a piece of acoustic ingenuity far exceeds the higgledy-ophony of the 1870s). Tallis' *Spem in alium*, in which 40 parts are woven into a swelling, slow-motion texture, with individuals emerging and sinking periodically.

Perhaps the BBC Singers should have had more antiphonal clarity than the vague drifting we heard on Friday. But Westminster Cathedral is all nave, no arms; and John Poole, their conductor, was right not to increase the distance, the verities of intonation and ensemble by dramatic separation. Taverner's six-part *Magnificat* followed, and was less successful. It is a virtuoso setting, and requires the brilliance of boys' voices.

The major work of the evening was by the 20th century: Taverner's *Utrenya*. It is a good score for several choirs, soloists, speakers, and a huge orchestral asortment, by the British composer John Taverner, born 1944. After an unhappy Dutch premiere, and a British one in the Southern Cathedrals festival a few months ago, this is not the occasion for extravagant praise. It is a stirring *Utrenya* in the Risers in the Westminster setting—which in scale, sonority and ritual atmosphere suits it admirably—left no doubt in my mind that this is the most imaginative, profound, and perfectly calculated large work by any young composer in too long a time.

Taverner's ear is evidently a vacuum in which the imaginative spirit flows from conventional disciplines. The work seeks to recreate mystical experience, and takes as its fundamental concept the ability of slow-moving music to entrance, to elevate. The idea is not entirely new, so naturally, there are moments in which one can hear the synthesis of such Messiaen has visited, in the fourth movement's sustained string writing; Purcell seems to lend a hand with the effect of ritual, for there is a definite taste of the Funeral Music for Queen Mary in some brass and timpani writing.

Wagner, too: a touch of Tristan's ecstasies, suggested by the particular intervals at which the work enters in the "Coplas" movement.

And distant snatches of 18th century popular Spanish music to suggest the real world as glimpsed from the elevated plane. (Taverner's text is a Spanish setting of verses by St. John of the Cross.) Finally,

Bach's "Crucifixus" passacaglia from the B minor Mass, which is a fine piece, though present in Taverner's mind throughout, but emerges explicitly only to create his conclusion.

In a work so static, and entwining, one pays particular attention to the beginning and ending of movements; and I think the best example of Taverner's exceptional combination of sophisticated detail with bold, simple shaping, is in this magnificent movement's culmination; the music achieves a final pulse, a reference, and waits expansively to a close.

Two of the five movements ("El nomen del Cristo" and "Coplas") we have known for several years; and only the opening movement equals them in substance. The fourth, purely instrumental, is the most beautiful and light ref. Indeed, the sense of balance and contrast between movements makes it all the more surprising that the work was composed piecemeal.

A fascinating, important score. Congratulations not only to the BBC for including it in the Proms so soon, but also for the patience and polish of Friday's performance.

A few interesting performing details were adapted to suit the cathedral's shape; and every component, including temperamental tapes, was excellently arranged. I gather that radio listeners were less fortunate.

## BBC Symphony Orchestra's winter season

a performance of the D minor concerto as wilful and maddening as Gould at his best, and as compelling.

Juries' decisions never please us all: but no one last week could dispute the first prize. The disposition of the remaining places, however, seemed to me perhaps too clearly tainted with compromise—a decision, tricky to be sure, between an "obvious" and popular choice for second place, and another less obvious more correct, and more controversial. But as one of the losing competitors remarked cheerfully afterwards: only time will tell. And only time will tell meanwhile whether the Soviet authorities will permit Alexeev, the first Russian ever to win at Leeds, to fulfil the most elegant wish of his friends to make up the most important part of his prize.

There was serious anxiety in some quarters that if permission were refused, Russian participation in future competitions might have to be reconsidered. For our sakes, as well as theirs, we hope for good sense: Leeds without the Russians would never be the same.

**Alexeev to play  
with RPO**  
The Royal Philharmonic Orchestra has announced that Dmitry Alexeev, winner of the Leeds Piano Competition, has been added to to-night's RPO concert at the Festival Hall. He will play Prokofiev's Piano Concerto No. 3.

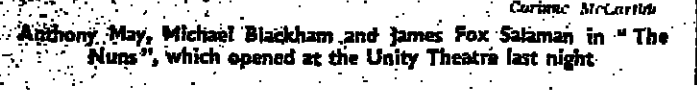
The BBC Symphony Orchestra's winter season opens at the Festival Hall under the orchestra's new chief conductor, Rudolf Kempe, on October 8, when Janáček and Ludovic Spiss are the soloists in Mahler's *Das Lied von der Erde*. Mr. Kempe has four further concerts, which will include Strauss's *Symphonia domestica*, Haydn's *The Creation* and works by Bartók, Berg and Tippett.

The orchestra's chief guest conductors, Pierre Boulez and Colin Davis, have three and two concerts respectively. Pierre Boulez will introduce to Britain Messiaen's *Des Canyons aux étoiles* and works by Balassa and Ligeti, part of a Hungarian evening completed with Bartók's *Duke Bluebeard's Castle*. He will also give Mahler's *Das Klagende Lied*, complete with the Waldmärenchor.

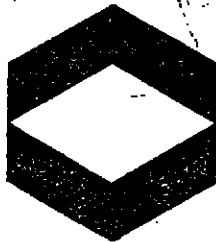
Colin Davis's programme includes Beethoven's Ninth and Stravinsky's Symphony Psalms and Tippett's Second Symphony.

The guest conductors are Michael Gielen, John Pritchard, David Atherton and Witold Lutoski, who will share a programme with Sir Adrian Boult. The Symphony Orchestra will so give five concerts before invited audiences in the Concert Hall of Broadcasting House.

In the Round House, the conductors are Pierre Boulez, Michael Gielen, David Atherton and Elgar Howarth. New works have been commissioned from Stephen Reeve and Sven David



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## AMERICAN NEWS

## Hopes for U.S. economic upturn hit

BY PAUL LEWIS, U.S. EDITOR

WASHINGTON, Sept. 15.

THE FORD Administration's hopes of a strong upturn in the American economy during the second half of this year, suffered a new setback today with the news that businessmen are still reducing their stocks at a very high rate.

When combined with the resurgence of "double-digit" inflation in recent months, this augurs a decline in inventories likely to reinforce many pessimistic forecasts in the coming months. The Commerce Department's latest report that manufacturing and trade inventories are down 1.5 per cent from a year ago, is a considerable setback to the official forecasts.

During July, the Commerce Department reported that manufacturing and trade inventories were down 1.5 per cent from a year ago, a considerable setback to the official forecasts.

This suggests that there is still no end in sight to the stockpiling movement which has been dragging down the economy.

At the manufacturing level, a decline of \$500m. roughly in line with previous months, and one that the bottom has yet to be reached here. The move of wholesale inventories, however, reversing June's increase of \$200m. to a fall of \$200m. Although retailers' stocks rose 0.9m. in July, this was still inflationary upsurge during the low the second quarter summer was a flash in the pan.

## NY state gets warning

BY GUY DE JONQUIERES

NEW YORK, Sept. 15.

STANDARD and Poor's, one of the principal U.S. debt rating agencies, warned New York State today that it has taken an "outstanding" step in the direction of its credit has been endangered by its recent decision to bail out New York City.

The agency said that the city's intervention to date seemed to be within its financial capabilities. But it added: "Any additional aid will most certainly strain the state's resources, and have a compromising effect on fiscal integrity and jeopardize the state's high-grade credit rating."

## UNITED NATIONS

## Economic reform talks move closer to broad agreement

BY MALCOLM RUTHERFORD

NEW YORK, Sept. 15.

AFTER A week-end of all-day, all-night meetings, the UN special session was today moving towards a single resolution on world economic reform that could include a broad consensus on the monetary questions that have several times brought the conference to the brink of breakdown.

In spite of the general lifting of spirits, however, U.S. sources cautioned that the session could still come to a "blister end."

The chief area of dispute during the past few days has been monetary reform, with the group of 77 developing countries demanding not only the establishment of a formal link

between the creation of new special drawing rights (SDRs) and development aid, but also a commitment to a new SDR issue in the relatively near future. This has proved unacceptable to the U.S., West Germany and Japan.

The session has already gone on for longer than scheduled and the mood has frequently turned sour, with the session still coming to a "blister end."

Thoughts are also heavily concentrated on next week's Vienna meeting of OPEC Ministers, who are expected to recommend increases in oil prices. According to one European delegation leader here, there is a danger that if the Third World is offered generous concessions in New York, the oil producers may be encouraged to raise prices still further on the grounds that the developing countries will have been offered a cushion against the effects.

On the other hand, it is also feared that if the special session fails to reach a consensus, the OPEC mood may become more aggressive and the consumer-producer dialogue, due to resume in Paris next month, will be doomed.

## Record agenda for Assembly

BY OUR OWN CORRESPONDENT

UNITED NATIONS, Sept. 15.

THE 30th General Assembly of the United Nations opens tomorrow with its usual assortment of world problems, and the threat of a major new one if militant members press demands for the exclusion of Israel.

A record agenda of more than 120 items has been prepared. This year, the Third World members' insistence that the UN is the most appropriate forum in which to discuss their demands for a new international economic order will focus much more attention in the Assembly than heretofore on trade and monetary questions.

A wide range of items falls under the title of disarmament. These include a proposal made only last week by the Soviet Union for a total ban on nuclear weapons testing.

The Palestine question, Korea, Cyprus (following the breakdown of the inter-communal talks), Rhodesia and the Southern African situation in general will all be among the delegates' preoccupations.

More than 100 Foreign Ministers, including Dr. Henry Kissinger of the U.S., Mr. Andrei Gromyko of the Soviet Union, China's Mr. Chao Kuang-shua, and Britain's Mr. James Callaghan will be in New York at one time or another during the three-month-long session. The President, to be elected tomorrow, will be M. Gaston Thorn, Premier and Foreign Minister of Luxembourg.

He succeeds Mr. Abdelaziz Bouteflika, Foreign Minister of Algeria, who presided over last year's Assembly and a special session, which opened on September 1, on development and economic co-operation. Mr. Bouteflika, a Third World militant, did not allow the Presidency of the world body to affect his style. It was he who made the crucial ruling to bar South African delegates from the Assembly last November.

## New Latin American strategy

BY HUGH O'SHAUGHNESSY

SANTO DOMINGO, Sept. 15.

THE STATUTES of SELA, the Latin American Economic System, the new organisation which seeks to strengthen intra-regional co-operation and formulate the Latin American strategy on economic matters vis à vis the rest of the world, are to be worked out at a 14-day meeting of senior officials which opens in Panama today.

The will seek to promote a number of decisions are expected to be ratified by a Ministerial meeting in about a month's time. SELA would be the permanent successor to CECLA (the Central American Economic Co-ordinating Committee), the ad hoc body formed in the late 1960s which had similar aims but which never had any established secretariat. SELA would include Cuba, but would exclude the U.S.

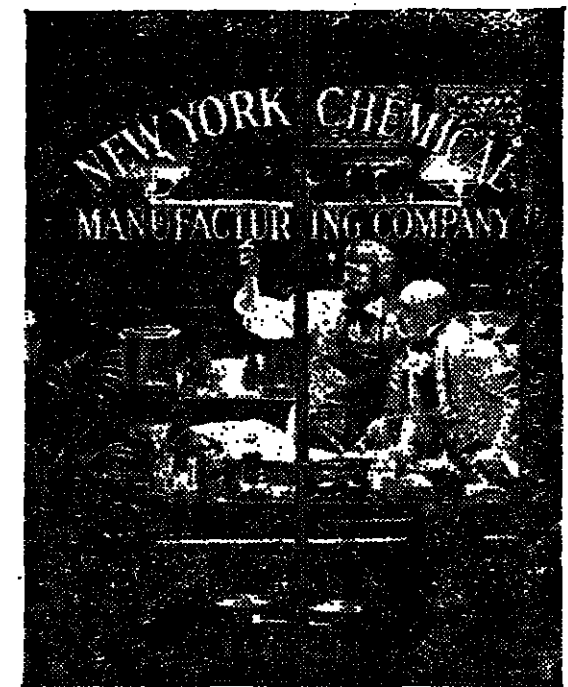
According to draft statutes submitted jointly by Mexico, Venezuela and Panama, SELA will seek to promote a number of decisions are expected to be ratified by a Ministerial meeting in about a month's time. SELA would be the permanent successor to CECLA (the Central American Economic Co-ordinating Committee), the ad hoc body formed in the late 1960s which had similar aims but which never had any established secretariat. SELA would include Cuba, but would exclude the U.S.

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Today, Chemical Bank is one of the world's leading financial institutions. We do business with over 80% of the world's companies that have over \$2 billion in annual sales. Our world-wide services are so extensive that no matter what business your company is in, we can provide the banking support you need. But 150 years ago we weren't even a bank. We were the New York Chemical Manufacturing Company located in a rural area of Manhattan known as Greenwich Village.



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## CHEMICAL BANK

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## THE NEW HAMPSHIRE SPECIAL ELECTION

## More than just a Senate race

BY A SPECIAL CORRESPONDENT IN NEW HAMPSHIRE

THE PEOPLE of New Hampshire today in a more important election than the Senate race, are voting to determine the future of the state. The Granite State is facing a choice between two candidates, one of whom is a Republican, the other a Democrat. The election is being held on September 16, 1975.

The Republican candidate is John Durkin, a former state legislator and a member of the Granite State Republican Party. The Democrat candidate is Louis Farkas, a former state legislator and a member of the Granite State Democratic Party.

The election is being held on September 16, 1975. The Granite State is facing a choice between two candidates, one of whom is a Republican, the other a Democrat. The election is being held on September 16, 1975.

## Contribution

Unfortunately for the Granite State, Louis Farkas is not the best candidate to give them a new image. In fact he has been linked to the Watergate scandal himself. He obtained a \$300,000 contribution for the 1972 Nixon campaign from Dr. Farkas, whose family owns a large New York City department store. Dr. Farkas was subsequently named Ambassador to Luxembourg, a key role in the presidential primaries. Less than a week before the special election Ronald Reagan came to address

a rally, followed the next day by President Ford, who stumped in almost a score of towns. Ostensibly, these appearances were to prove that Farkas was the support of both conservative and moderate Republicans. But both Ford and Reagan actually came to look over Wyman's head and see how the crowd was reacting. Next February Ford will have to defeat Reagan in New Hampshire to remain a candidate, and Reagan, if he runs, will have to make a strong showing if he wants to survive until later primaries. Although it will be hard to measure their impact on the Senate election, supporters of both are watching carefully for any signs of their relative strength in the Granite State.

For Ford, coming to New Hampshire was a tough decision. After the Special Prosecutor's letter to Wyman he had second thoughts about his commitment to the GOP candidate. Reagan never wavered. Seeing that he might lose his competitive advantage if Reagan went to New Hampshire and Wyman won, Ford shifted course again and announced his own visit.

## Superior

The Democrat believes that the turnout for the special election will fall below normal and that a superior political organization, capable of pulling out all of his support, will make the difference. He has two of Sen. George McGovern's top 1972 national organisers helping him. If they can bring out the entire Durkin vote, they believe they will not have to worry about those New Hampshire Democrats who hold Durkin responsible for the delay in calling a new election.

Sensing that people are fed up with Washington politics, Durkin has been running against the Republican Administration and the Democratically-controlled Congress. He has told Democratic presidential hopefuls and other party bigwigs to stay away. While he may have seized a good political issue, many people in New Hampshire say they are put off by his shrill and fevered manner.

## Party-line

So eager was the GOP to win the re-run that Senate Minority Leader Hugh Scott and Sen. Howard Baker co-signed a fund-raising letter mailed even before it was certain there would be a new election. Some Democrats complained that two Senators who were supposedly sitting in judgment on the contested election should not be taking sides in that way. But most felt that the Durkin-Wyman contest was pretty much a party-line fight anyway.

Wyman also enjoys the mixed blessing of endorsement from arch-conservative William Loeb's Manchester-based Union Leader, the state's largest newspaper and, because of the absence of local television, its dominant media voice. Loeb stayed out of the race last year, because he said Wyman had an unspecified "character flaw." Presumably Loeb thought that Wyman was not conservative enough. This time, however, Loeb has pulled out the stops for Wyman mostly because he so deeply dislikes consumer-advocate Durkin.

Less than two weeks before the special election, the Union Leader carried an unsigned letter, bitterly and profanely attacking Loeb for supporting Wyman. The language was certainly as strong as has ever been published in an American daily. The Union Leader editors labelled the letter as "an example of Mr. Durkin's support." Whether this helps Wyman remains to be seen. The famous 1972 Canuck letter published in the Union Leader charging parties will almost certainly be Senator Muskie with discrimination against Franco-Americans next few months by their interpretations of the results. Perhaps 200,000 will actually vote, but Loeb published an editorial in French designed to help the by the result.

## Irano-Reading &amp; Bates S.S.K.

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and has acquired the drilling rigs and related assets presently operated in Iran by Reading & Bates Offshore Drilling Company and subsidiaries.

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September 15, 1975



## EUROPEAN NEWS

## Moro, Communists clarify positions on co-operation

BY ANTHONY ROBINSON

ROME, Sept. 15.

MAJOR political speeches by Italian Prime Minister Aldo Moro and Communist Party secretary Enrico Berlinguer have contributed to clarifying the broad lines of the Italian political situation some three months after the June 15 regional elections which marked a fundamental shift in the balance of political forces.

Prime Minister Moro took advantage of the opening ceremony of the annual Levant Trade Fair on his home ground at Bari, the regional capital of Apulia, to appeal for wage moderation from the trade unions during this autumn's labour contract negotiations for more than 4.5m. workers and to put out explicit feelers to the Communist Party for their co-operation.

For the first time, a Christian Democrat Prime Minister has called on his party and the others in the Centre-Left formula to work out "some way of

associating the PCI (Communist Party) with the Government majority," adding that "no political force can think of avoiding a serious approach to the principal opposition over the content and general orientation of the overall political programme of the Government."

The ability of Sig. Moro to make such a statement reflects partly a realistic assessment of the new balance of political forces but also the fact that he no longer has Sig. Amintore Fanfani as party secretary but Sig. Benigno Zaccagnini, long time Moro supporter who shares Sig. Moro's general political philosophy.

However, Sig. Moro underlined that the realisation of the need to openly recognise the influence and potential contribution of the Communist Party does not mean that the parties who have governed Italy for the last 12 years should go any further towards formally including the Communists in Government.

## Boost in French trade surplus

By Rupert Cornwell

PARIS, Sept. 15.

FRANCE WAS once more substantially in the black in its trade with the rest of the world last month, and its surplus for the first eight months of 1975 now stands at over Frs.5.5bn. (€900m.), adjusted for seasonal variation.

In August the corrected surplus came to Frs.1.23bn. (€133m.), up from Frs.833m. (€88m.) in July, and compared with a deficit of almost Frs.1.5bn. in August last year. However, as the figures released today by the Foreign Trade Ministry show, the turnaround has been bought at the price of a sharp fall in volume.

Imports have suffered most heavily, down in value terms from Frs.21bn. a year ago to Frs.17.7bn. last month, while the decline in exports has been much less marked to Frs.18.9bn. from Frs.19.5bn.

The strong trade performance has been the main contributor to the fairly unusual event of a French current account surplus in the first half of 1975, of Frs.2bn. Last year's deficit, at the height of the energy crisis, rose to Frs.28.7bn. while that of 1973 totalled Frs.3bn.

The capital account fared even better, thanks to a steady flow of short term and long term funds into France, showing a surplus of Frs.12.7bn., and leading to the considerable appreciation of the franc.

The result, as Finance Ministry figures this week-end reveal, is a Frs.14.7bn. improvement in the country's external finances. The larger share of this, Frs.7.5bn., is reflected in an increase in official reserves, while the indebtedness of the banking system shrank by Frs.6.9bn.

## SWISS RECESSION 'WILL CONTINUE'

By John Wicks

ZURICH, Sept. 15.

ACCORDING to a report issued by the Swiss Federal Commission for Economic Studies, the recession trends in the country's economy will continue in the next few months. Although the Commission says that the recession is not likely to become more accentuated, it believes that the demand for employees will decline further.

## GREECE AND THE EEC

## The details are devilish

BY W. L. LUTKENS, RECENTLY IN GREECE

GREECE is relying very much on the political arguments for gaining full membership in the Common Market. Mr. Constantine Karamanlis, the Prime Minister, has said that he would not have asked for full membership if it had not been a political matter, rather than one of tomatoes and peaches alone.

Signor Carlo Scarsella Mugnoli, the Italian Vice-President of the European Commission, said on a visit this month to the Salonika Fair that he agreed. Mr. John Pemszoglou, a prominent Greek opposition figure and head of the Greek delegation in the mixed EEC-Greek parliamentary commission, takes much the same view. The Nine themselves have agreed in principle that Greece, now an associate, should join, and that negotiations should begin to settle the technical details.

So everything in the garden should be lovely, were it not for a much-quoted saying of the first President of the Common Market Commission, as it then was, Prof. Walter Hallstein, that "details are the very devil." One might add that many a year elapsed between Gen. de Gaulle conceding that, in principle, he favoured British membership, and Britain actually getting into the Community.

In the case of Greece there are some very obvious details: given the way France and Italy are at corkscrews drawn about a surplus of low quality wine, they are unlikely to be happy about a new arrival who exported wine and spirits worth \$25m. in 1974.

Another little detail is that industrially backward Greece with per capita GNP in 1973 of \$1,790 compared with \$2,510 in Italy, and with a current account deficit of \$1,270m. in 1974 (and probably slightly more this year), is going to add to the claims on EEC financial resources, especially the Regional and Social Funds. Greece already has told the EEC that it needs \$500m. in grants and \$312.5m. for infrastructure, and grants of \$187.5m. for agriculture. But its total requirements upon the Community and its members, including loans to redress the balance of payments, may come to \$800m. in the next four years, not including direct investment.

None of that will cause much joy in Whitehall, in Dublin, or in Rome—or for that matter in Bonn where Herr Helmut Schmidt, the Chancellor, usually resists demands upon the German purse.

The Germans may have another reason for caution: once Greece is a full member, they already are to run down the

of relations with the Arabs of the Middle East, it would be mistaken not to extend European unity to a European Mediterranean country such as Greece. It is indeed true that Greece has long had business links with countries such as Egypt or the Lebanon. It is unfortunately also true that Greece has a long history of conflict with Turkey, most recently in Cyprus, and about

students. Moreover, of 13 at the Institute, no fewer than six were temporarily or

It is legitimate to ask whether the Greek economy is strong enough to stand within the EEC.

power and influence in the Aegean with its supposed oil resources. The official view in Athens is that a Turkish application to join the EEC would find all Greeks, may be about the possibility of arms deliveries to the Turks from whichever source. But a certain scepticism is in order about the ability of the Turkish economy to stand up to EEC membership.

In the case of the Greek duties on 100, it is legitimate to ask whether it is strong enough to stand within the EEC. At present under the Treaty of Association, two thirds of Greek imports from the Nine already enter duty free, whereas duties on the rest have been cut to 64 per cent of their original level. That is to fall to 24 per cent within the next five years. The argument in Athens therefore is that zero tariffs should not have too drastic an effect upon Greek industry.

The usual view is indeed that the Greek industry should manage, though agriculture would face the difficult problems of adjustment. There is a third view: that the real difficulties will arise in the institutional sector, not least in an ill-paid and not excessively efficient civil service. The mixture of a partly modernised industrial apparatus, agriculture ancient and modern, and of a hidebound administrative machine is familiar from Italy, and hence a warning to all.

A special but closely related problem, that of education, was sketched to the Financial Times by a Salonika economist. Dr. R. Overton, two years D. Zepolepoglou, who said that during his time at the Institute, to fall back upon 1960 of Economics and Business take Management there, one professor, economy really does one assistant, and one lecturer, unless Europe comes to were struggling to teach econo- clusion that the times, 3,800 ranks to be closed, gues-

## Plan to improve conditions for migrant workers

BY DAVID CURRY

BRUSSELS, Sept. 15.

THE BRUSSELS Commission has sent to the Council of Ministers a series of proposals designed to improve the position of migrant workers in the EEC. They cover, principally, providing family allowances to workers who have left their families behind in their own country; improving educational provision for children of migrant workers; and extending trade union rights to such workers.

On family allowances, the aim of the proposed new regulation is to tighten up existing rules in such a way as to gain maximum allowances for workers' families. While the general practice is to pay allowances corresponding in size to those paid to domestic workers, France has operated a scheme which gave the worker only the level of allowances obtaining in his country of origin. If the council accepts amendments proposed by the Commission, workers will now get the level of payments applying in the host country.

The Commission is also pressing for a directive dealing with improving educational facilities for the children of migrant workers. This would apply not only to workers of Community origin but to all the approximately 6.25m. foreign workers in the EEC bringing with them, it is estimated, some 1.5m. children. The proposed directive would give member states three years from the date of adoption to introduce an educational reception system for migrant children, primarily to help them learn the language of the host country; to provide for teaching of the language and culture of their native country as part of normal schooling; and to make arrangements to employ teachers specially qualified to deal with migrant children.

Finally, the council is being asked to improve the rights of migrant workers to hold trade union office. This will tidy up and extend rules adopted in 1968 concerning the trade union rights of migrants.

In a separate communication, the Commission is forwarding to the Council the findings of a group of experts on a possible framework of minimum standards for housing built to accommodate people who depend on wheelchairs for mobility. The Commission now intends to let government experts together to work out how to implement these standards. It is also seeking "non-structural" measures of "non-allow free access and circulation to handicapped people.

## Links with China formalised

BRUSSELS, Sept. 15.

CHINA and the EEC established formal diplomatic relations today, Mr. Li Lien-pi, Peking's Ambassador to Belgium, handed over his credentials as envoy to the Common Market, to the Italian Foreign Minister Mariano Rumor, chairman of the EEC Council of Ministers.

Plans to establish diplomatic ties were announced in May during a visit to China by Sir Christopher Soames, EEC Commissioner for external affairs. Although China's trade with Western Europe is relatively small, Peking has long supported the Common Market and the unification of Western Europe as a counter-balance to Soviet power in Europe.

## Wilson in Romania to-day

BY PAUL LENDVAY

VIENNA, Sept. 15.

ECONOMIC co-operation off at £34m. in 1973-74. However, the imbalance in Britain's favour has been reduced from £10m. in 1971 to nil last year.

During a brief stopover in London on his way back from Latin America, Prime Minister Harold Wilson's visit to Romania, the Romanian President, Nicolae Ceausescu, said that Romania hoped to double two-way trade with Britain in the next two to three years. British exports in the first half of this year were rising at a rate of 40 per cent compared with the period in 1974, but because of the import restrictions ordered after the Romanian floods in July, British export prospects are not as bright as they were.

In the area of foreign affairs, President Ceausescu is likely to raise the question of Pangeal, Romania is the only Warsaw Pact country which has maintained close relations not only with the Portuguese Communists but also with the Socialists. It is also possible that Mr. Ceausescu will

## If someone was going to find fault with the way the crow flies, it had to be the Swiss



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The Board of Directors and the Managing Directors of the Company have declared on account of the expected total dividend in respect of year 1975, an interim dividend amounting to Netherlands Guilders 3.75 per share on its outstanding shares of 20 guilders per value.

A. On the Bearer Shares  
(1) This interim dividend will be payable against surrender of co. No. 158 on or after 23rd September, 1975 at the office of N.M. Rothschild & Sons Limited, New Court, St. Swift Lane, London EC4A 4DU on business days between the hours 8.30 a.m. and 2 p.m.

Payment will be made in sterling at the buying rate of each currency in Amsterdam at 2 p.m. on 17th September, 1975 in the case of coupons presented on or before that date, or on the date of presentation in the case of coupons presented subsequently. In the fact that Netherlands guilders funds are being provided by the Company for payment of this dividend, the usual foreign exchange commission will be deducted from the sterling proceeds. Cou must be accompanied by a presentation form copies of which are obtained from N. M. Rothschild & Sons Limited, and the face of coupon must bear the stamp or other indication showing the net presenter.

Coupons must be left for an appropriate period for examination must be handed in personally. Coupons cannot be paid through post.

In the case of shareholders not resident within the Scheduled zones the paying agent may, at the request of the Authorised Deuty presenting the coupons, pay the dividend in a different currency. Information in this respect will be supplied by the paying agent request.

Netherlands dividend tax at the reduced rate of 15 per cent will be deducted from the gross dividend where:

(a) United Kingdom income tax has also been deducted;  
(b) Coupons are presented on behalf of residents of the U.S., Canada, Australia, Austria, Belgium, Canada, Denmark, France, Ireland, Japan, Luxembourg, Netherlands, Norway, South Africa, Spain, Surinam, Sweden or West Germany provided they lodge the appropriate declaration form.  
In all other cases Netherlands dividend tax of 25 per cent is deducted.

(c) On 23rd September, 1975 this interim dividend will be paid to depositaries admitted by Centrum voor Fondsenadministratie, Amsterdam, on the shares whose dividend sheets were deposited at the close of business on 12th September, 1975. If payment will be made through the medium of N. M. Rothschild & Sons Limited, after receipt by them of a duly completed CF Divi Claim Form.

Where appropriate, the usual affidavit certifying non-residence in United Kingdom will also be required if payment is to be made without deduction of United Kingdom income tax.

Where under the double tax agreement between the United Kingdom and the Netherlands, 15 per cent Netherlands dividend tax has been withheld, the 15 per cent Netherlands tax is allowable for a refund. The United Kingdom as a credit against the United Kingdom income payable in respect of the dividend. The deduction of United Kingdom income tax at the reduced rate of 20 per cent instead of at the Basic of 35 per cent represents a provisional allowance of credit at the 15 per cent.

B. On the Registered Shares registered in the United Kingdom Section of the Amsterdam Register

On 18th September, 1975 the sterling amount of the dividend will be fixed on the basis of the sterling/guilder rate of exchange current in Amsterdam on that date.

The record date will be 25th September, 1975; shareholders registered at the close of business on that date will be entitled to receive dividend.

On or before 21st October, 1975 dividend warrants will be posted by transfer agent, Algemeen Bank Nederland N.V., Amsterdam, to all holders registered in their books on the record date.

From the dividend on the registered shares Netherlands dividend of 25 per cent has also to be deducted. Where under the relevant convention shareholders are entitled to a reduction of the Netherlands dividend tax, this can only be effected through a request for partial refund of the tax withheld on the appropriate tax affidavit. Further announcement will be made as soon as possible after September, 1975 giving the rate of exchange, the amount of dividend in sterling per share and the amount of the 25 per Netherlands dividend tax in sterling per share.

16th September, 1975 ROYAL DUTCH PETROLEUM COMPANY



## Judge's ruling may lead to Indian detainees' release

NEW DELHI, Sept. 15.

THE High Court ruled today that the Government had failed to satisfy it that a leading nationalist held under internal security laws, had been lawfully arrested.

The court, in a judgment, on a Habeas corpus appeal, seems likely to order the release of hundreds of similar detainees. The court said that the Government had failed to show that the arrest of the detainees was lawful. It said that the Government had failed to show that the detainees were a threat to national security. The court said that the Government had failed to show that the detainees were a threat to national security. The court said that the Government had failed to show that the detainees were a threat to national security.

Justice Ranagajana also said that the Government had failed to show that the detainees were a threat to national security. He said that the Government had failed to show that the detainees were a threat to national security. He said that the Government had failed to show that the detainees were a threat to national security.

## Australia to raise domestic oil prices

JAMES FORTH

SYDNEY, Sept. 15.

Australian government has announced changes in its pricing policy for domestically produced oil in an attempt to stabilize flagging petroleum export prices. Prices for local crude have been pegged for the past years at just over \$A2 a barrel, while world prices have risen in response to increases in OPEC. Future discoveries in Australia will receive a price 1 to the landed cost of imported crude. A levy of \$A2 barrel announced recently in 1975-76 budget will still make the effective new \$A6.50 a barrel.

## Kuwait talks inconclusive

RICHARD JOHNS

THE round of negotiations on the complete take-over of the Kuwait Oil Company ended inconclusively in Geneva at the end with both British Petroleum and Gulf Oil declining to comment on their proposals. It was understood, however, that the talks concentrated mainly on pricing matters although the oilfield and refinery issues of taxation were also covered. Companies have so far refused to accept the Kuwaiti government's offer of \$50-\$55m.

## Eritreans threaten U.S.

BEIRUT, Sept. 15.

ERITREAN rebels threatened today to kill four U.S. captives if the U.S. stops arms aid to the Eritrean Liberation Front (ELF). A spokesman for the ELF said the U.S. had four captives who were being held in the Middle East. He said that the U.S. had four captives who were being held in the Middle East. He said that the U.S. had four captives who were being held in the Middle East.

## NG becomes independent

JAMES BUXTON

AUSTRALIAN dependency PNG pays its taxes to PNG. Mr. Somare is also anxious to play down the Bougainville secession. The Australian part of PNG, a federation of 10 provinces, is highly diverse ethnically. Mr. Somare, PNG's Prime Minister, has said they would join Bougainville.

HEAVY TIMOR FIGHTING. JAKARTA, Sept. 15. Indonesian military chief Gen. Soedarto said today that the pro-Indonesian Timorese Democratic Union (UDT) and Apodeti groups had begun guerrilla warfare against the Fretilin forces around the Portuguese Timor capital of Dili.

He denied Fretilin claims that its forces controlled most of East Timor, which has been wracked by civil war since 1975. He said that the UDT and Apodeti groups were just manufacturers' tall stories.

## LIBYA'S SIXTH ANNIVERSARY OF THE REVOLUTION

# Dissatisfied with a messianic role

BY STEWART DALBY, RECENTLY IN TRIPOLI

ON THE eve of the sixth anniversary celebrations of the Libya's revolution, the dissatisfied within the Army came to light. Nobody (at least nobody who is willing to talk to visiting Western journalists) saw a seemingly endless stream of tanks pass in front of him, as now feel it was not so much a coup attempt as has been re-

The news last week-end suggests that the Libyans are making attempts to review the situation in the country for themselves, but when I was there, not an Irishman was in sight. The British Embassy in Tripoli says it believes material aid to either the IRA or the Ulster protestants is now negligible. There has not been, it claims, any significant arms shipment to Ireland since the Claudia episode of March 1973 when that vessel was intercepted off the Irish coast, loaded down with weaponry.

Although they are currently not in evidence, however, the Irish, together with the African independence movements, the Filipino Muslims and above all the extremist Palestinians will continue to call on Libya's armaments. Colonel Khedafi is determined to keep himself and his forces to the teeth which he is—dispensing large chunks of the country's oil money to any liberation group that passes through is perhaps not the right way to do it. To realise just how keen Colonel Khedafi is on collecting

wealth operate on 90 days credit, the arms deals, the unpublished leaving Libya short of ready cash, payments to the Palestinians. But more than this there is dissatisfaction that Colonel Khedafi is spending so much money unnecessarily at a time when Libya can ill afford it. The reduction in oil output during the first half of 1975 and the increased pace of State spending is highlighted by the

Observers say that many army officers feel that it is the arms expenditure which should be trimmed rather than money for schools.

The problem has been that most recent IMF statistics, which Tripoli overpriced its oil at a time of slackening demand in western Europe. Its main market, Libya put its prices up more than others so that geographical proximity notwithstanding, western European countries could buy their crude cheaper at Rotterdam from other North African producers and even Gulf producers. In the summer of 1974 Libya was producing 2.2m barrels a day. By the end of last year when Tripoli was trying to sell crude at \$12 a barrel production had fallen to a little over 900,000 barrels a day.

Under its three-year Development Plan Libya expects to spend something like \$3bn. in the current financial year. This covers everything from oil refineries to agriculture, health and education. On top of this there is a current budget of the order of \$700,000. Then there are

The pinch, however, has been felt and it is the social programme, not arms expenditure, that has suffered. Anything from \$500m. to \$1bn. is believed to have been slashed from the budget, with the cuts affecting mostly health and other social spending.

It is impossible to tell how widespread is the dissatisfaction within the armed forces. Colonel Khedafi is the strongest personality on the ruling Revolutionary Command Council, and it is said that he maintains the fiction of collective rule, because with his peculiarly messianic view of his own role as the servant of the Libyan people, he does not want to appear a military dictator.

The events of August, however, have clearly chastened Colonel Khedafi. His speech on September 1 was notably restrained. The Sinai Agreement, which was announced that day was not mentioned by name. Only ritualistic support was given to the extremist Palestinians. It may well be that the liquidity crisis and the army unrest has spawned a new Colonel Khedafi, but western observers in Tripoli who have seen his moods fluctuate before are not yet placing any bets on any such change.

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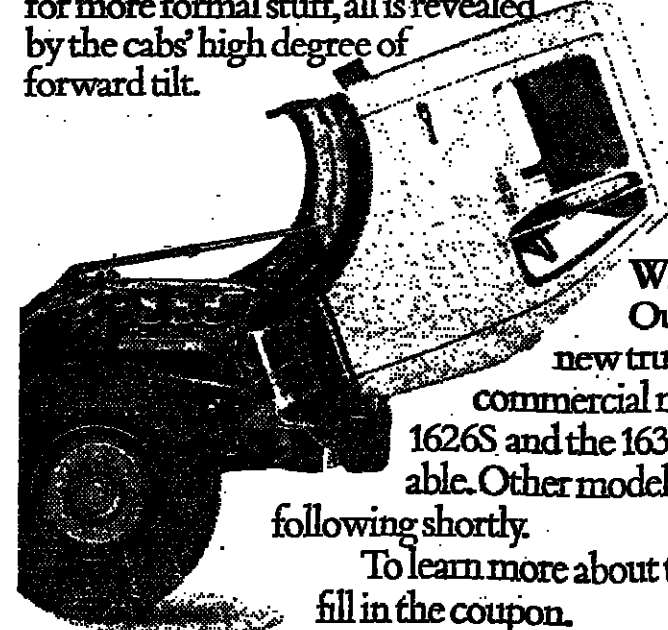
We give you a choice of cabs. One slim. And one a sleeper. Both provide all the comforts of a home away from home. And each is superbly assembled and finished, to take years of hard work and come up shining. Before it leaves our factory, it's fully painted with primers and coat after coat of paint. Inside and out. Ready to bear the colours of your company. The cab is streamlined to be faster through the air. And in turn, a little slower through fuel.

The passing air is well-directed too. To stop windows and mirrors from whistling and soiling. Clearly a safety feature. As is the cab's construction. Much of it is double skinned. Many panels being rounded to absorb impact. While the whole thing is structurally braced to withstand forces from front or rear. The way they're serviced is linked to the way they're built. All are designed around a single range of units or modules (engines, transmissions, axles and chassis frames). Each of which has many parts in common. Access to service couldn't be better. A front panel flips open for everything routine. While, for more formal stuff, all is revealed by the cab's high degree of forward tilt.



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\*Whitehead Consulting Group, National Survey of Physical Distribution Management.

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A black and white portrait of a man with dark, wavy hair, wearing a patterned suit jacket, a white shirt, and a patterned tie. He is looking slightly to the right of the camera. The image is grainy and has a high-contrast, almost halftone appearance.

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Was it this much?

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## FINANCIAL TIMES REPORT

Tuesday, September 16 1975

## Northumberland

Last year's reorganisation of local government took nearly half the population of Northumberland into the new county of Tyne and Wear. But the main issues facing the county are still unemployment and rural depopulation.

NORTHUMBERLAND IS a county of sharp contrasts. It is one of the largest counties in England and Wales and one of the least populous. It contains the vast grandeur of the National Park, ancient monuments like Hadrian's Wall, a string of famous castles, rich farmland, and thickly wooded forests as well as the industrial beehives of North Tyneside.

Local government reorganisation last year accentuated the contrasts as well as the problems. For if the main objective of reform was to create viable local government units based on the "economies of scale," the result achieved in Northumberland was exactly the opposite.

The 3 per cent. of the land area lost to Tyne and Wear metropolitan county included some of the Newcastle suburbs, the popular seaside resort of Whitley Bay and the new town of Killingworth—a total population of 230,000. It represented a rates loss of £20m. a year to the county; but it still left a land area of 1,244,000 acres with only 285,000 people to inhabit it.

Nor has it alleviated to any great extent the twin problem of the county: unemployment in the thickly-populated south-east corner where it reached 12.5 per cent. among men in Blyth Valley in July; and rural depopulation in the districts of Alnwick, Berwick-on-Tweed and Tynedale where density per 10 acres is one person. (It contrasts with 36 in Blyth Valley and 39 in Wansbeck, the two largely urban areas with 45 per cent. of the county's population.)

No wonder then that the long-term structure plan which is being prepared by the county council and which is to be published in about two years' time will make a sharp distinction between the two sets of problems: and that it has seen fit to produce interim plans on rural industrial development as well as on transport well ahead of the publication of the main proposals. The consequences for the county council—of local government reorganisation were made no easier by the subsequent cuts in public expenditure imposed by central Government.

## Imposed

Hardly had the council come to terms with an increase in its gross expenditure for 1975/76 limited to 1.5 per cent. when Chancellor Healey's July measures imposed a nil growth. Its implications are still being digested by the council; but it seems most likely that essential items such as education (which comprises over 40 per cent. of the total budget) and roads will suffer.

The only sector which is certain to escape cuts is land purchase. This is not only because it affects contracts already signed, but also because land purchase has been one of the vital factors in the financing of Cramlington new town, the county's principal point for both population and the attraction of new industry.

The development of Cramlington by a triumvirate of partners consisting of the county council, Blyth Valley district council and two local builders is a fascinating story.

Cramlington, within easy travelling distance of both Newcastle and the regional airport, finally, the contribution to the school building and improvement programme serving 33,000 Blyth, has grown from a small, scattered village to a town of owner-occupied new town community. As for its five-year transport plan, the county council has It has a population target of significant factor in enabling the already budgeted for both a

and lighting would amount to £16.2m. and major highway improvements to nearly £3.3m. (The sum takes no account of trunk roads such as the A1—the main North Road—the A69 and A696 and for major regional roads such as the A68,

## Twin problems remain

This Report was written by ANDREW HARGRAVE

over 60,000 by the mid-1980s: and, remarkably, its development has been due purely to local effort following the Government's refusal to provide Northumberland with a new town: although, as it frequently pointed out, the neighbouring county of Durham has no fewer than three new towns.

The only, admittedly significant concession made by the Government was the 50 per cent. contribution being made towards the cost of the drainage system. Yet Cramlington has been virtually no burden on the county rates.

Moreover, the close on 10,000 new jobs created there have played a major role in the county's efforts to mitigate the effect of the run-down in the mining industry (which has cost

council to limit its rates increase for 1975-76 to 17 per cent., well below the national average. It is not surprising therefore that the uninterrupted growth of Cramlington has remained one of the council's main priorities even in times of financial stringency.

Where the axe will fall on the county's spending is to be decided later this month. The total expenditure planned for 1975-76 before the new cuts (but after the 1.5 per cent. increase limit) was £56.5m., some £18.5m. up on the previous year. But as

man of the finance committee pointed out, the bulk of this rise was simply to keep pace with inflation. Only £1.2m. could be considered as finance for improved services. Now even this modest sum is likely to be wiped out by

lower "base programme" and a more costly "preferred programme," the former totalling £25m. the later £31m. But in view of the Government's transport supplementary grant of only £1.2m. (£1m. less than expected by the council), the 1975-76 expenditure on transport will be only £5.8m. taking account of inflation, or £1.2m. less than originally planned.

Nevertheless, the plan makes it clear that the county's long-term strategy for transport remains. The more than 3,000 miles of highways which are a lifeline not only for industry and agriculture but also for the important tourist industry, are planned to absorb £22.4m. of the total £35m. projected over the next five years (figures at November, 1973, prices).

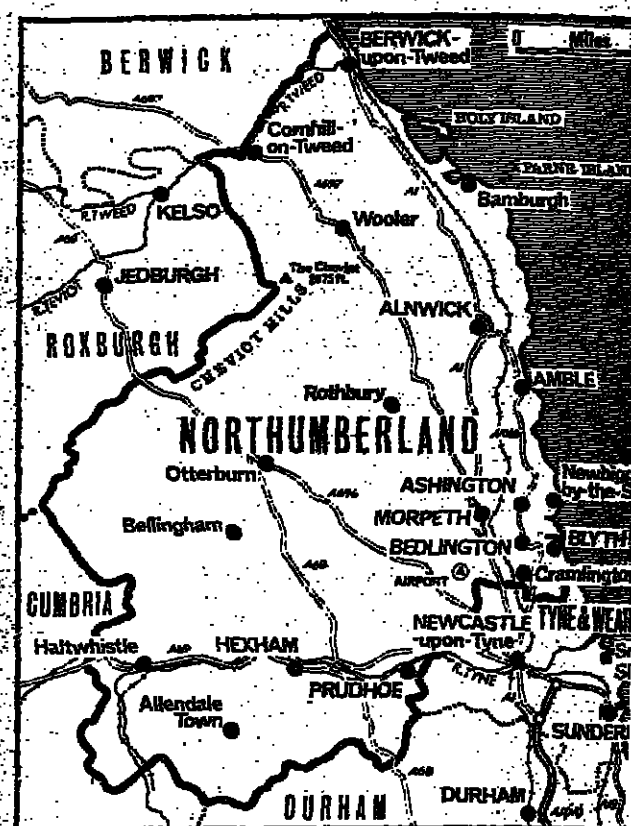
Of this, highway maintenance

the A697 and the A108, which are Government responsibility).

Another, rather smaller though significant item in the transport plan is the £1.5m. to be devoted to subsidising public transport, particularly in remote rural areas.

The cuts in public expenditure are to affect the programme in various ways. Projects between towns and town centres may be deferred while priority is to be given to "traffic management."

The latter will involve more off-street car parking in towns combined with "realistic charging policies" and priority to road improvements designed to reduce accidents. Any finance towards major road improvements and new roads will aim at improving links between existing or already committed high-quality employment at reasonable



levels, its significance is vast. The county council's anxiety to preserve its transport programme as much as possible is understandable as communications are vital to its promotion of industry and tourism. While the south-east corner of the county is numerically more important from the point of view of both general prosperity and for keeping unemployment at reasonable the county.

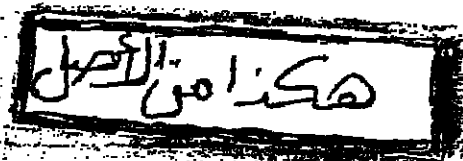
**Northumberland**  
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For full details contact John Lodge, County Planning Officer, Northumberland County Council, County Hall, Newcastle upon Tyne NE1 1SA. Telephone: Newcastle (0632) 26613. Telex: 537048.

A member authority of the North of England Development Council.





# Unemployment worries

EVEN IN its truncated size, the July unemployment figures were certainly a reminder that the pace of replacement of income for a large proportion of its working population. The problem has been similar to the rest of Northern England—or indeed Scotland and South Wales—that of replacing employment lost in coal mining and heavy industries.

Contraction in mining has been especially worrying in north-east Northumberland here two districts—Wansbeck and Blyth Valley—house nearly 30,000 people or 48 per cent of the county's total population. Since 1957, the number of pits in the county have dropped from 57 to 12 and the number of miners from 42,000 to about 10,000.

Yet the National Coal Board still by far the largest single industrial employer in the county, with one large modern pit alone—Lynemouth/Ellington—employing 3,000 men to produce 2.5m tons of coal a year. The presence of large coal reserves was certainly a major factor in attracting to Blyth the aluminium smelter which this year consumes 1m tons of coal.

Another was the port which has been dredged to handle tugs and ships of up to 22,500 tons deadweight. A £5.5m scheme to tap resources north of the pit has recently been announced by Sir Derek Ezra, chairman of the NCB.

Although the amount of coal shipped from the port of Blyth has declined from 5m tons a year in 1955 to around 2m tons, it still accounts for 80 per cent of the port's annual tonnage. As the NCB's application for opening up open-cast 200 jobs serves north of Morpeth, another major expansion in the area is estimated at 12m tons, has been approved. Blyth's shipments may once again be an upward turn. The soaring oil prices have certainly been a local miners, both by management and the union, new.

Nevertheless, the anxiety of finding jobs (due partly to rising productivity) is never far from the minds of the Northumberland local authorities. We have to run pretty fast to and still," commented one authority.

## Expansion

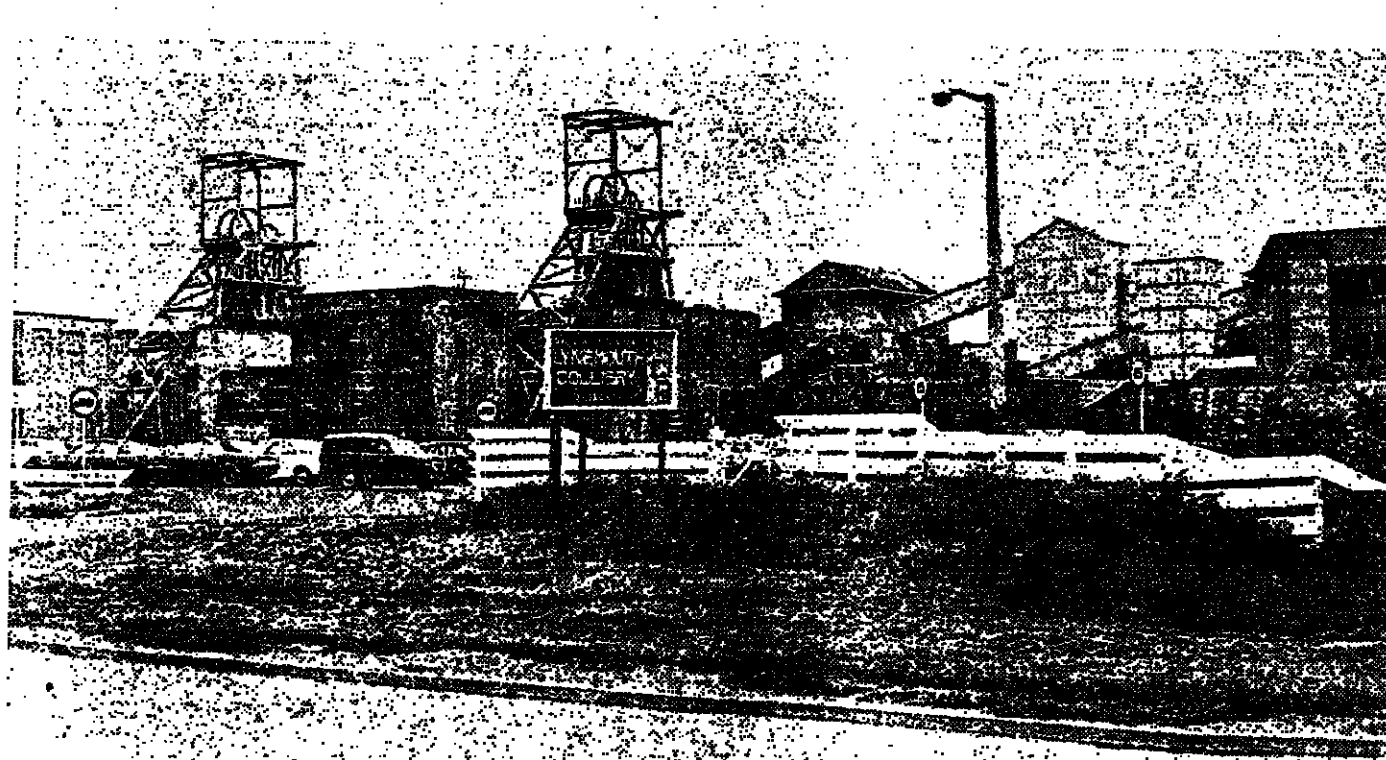
The remarkable exception to the general unemployment trend is Crumlington, the new town west of Blyth, which is Northumberland's major industrial growth point. The town has a population of around 22,000 and employment at the end of last year totalled 3,558 people, 3,061 of them in manufacturing industry. About 70 per cent of all jobs were for men; and the prospect of a further 1,483 jobs has been envisaged by the end of 1976, with over 1m square feet of new factory space under construction. A recent survey estimated that over 6,000 people were working in the town, or 64 per cent, actually live outside it.

This, the survey says, "is due largely to the role of Crumlington and the unique way it has been developed." Also, manufacturing employment more than doubled in the three-and-a-half years between June 1971 and June 1974.

Several "multi-nationals" including Burroughs and Ronson from the U.S., are represented at Crumlington alongside such well-known British names as Searle, Glaxo and Wyeth.

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Lynemouth Colliery

promote development throughout the county, including the under-populated rural areas.

While the majority of Government and county sites of 10,000 sq. ft. to 25,000 sq. ft. in size, for factory development are in Crumlington, the largest single land area available for development is the 600 acres at Cambois, on the coast in the Wansbeck district. It already houses the large Glaxo pharmaceuticals factory. Two other companies, including a Danish one which intends to build an iron foundry, have applied for planning permission, with the prospect of more than 1,000 new jobs.

At the North Seton and Jubilee (Ashington) estates, also in Wansbeck, two more advance factories are under construction, with a third one recently announced. An advance factory is also being built at Blyth. There the £57.5m smelter of Alcan, the Canadian aluminium major, reached full production in July 1974, after a delay of two years owing to strikes on the building site and a further two years and four months of running-in.

The smelter, one of the three major new smelters in Britain, is now running at only 80 per cent of its annual capacity of 120,000 tons of ingots because of a work-to-rule in March this year but also because of the world-wide recession in aluminium.

The company appears to have succeeded in keeping air pollution to the minimum by spending £4.5m on prevention. An independent investigating team monitoring possible pollution, the company claims, has reported virtually no atmospheric changes since the smelter came into operation.

Another sizeable investment by Alcan was in Blyth harbour where £2.5m was spent on installations which handle around 200,000 tons of alumina and 75,000 tons of petroleum coke a year. The larger part of the 500,000 tons of non-coal cargo being handled in the port has been diversified into paper and board, grain, chemicals and other products in the past ten years and the port is now also equipped with container-handling facilities as the first stage of a plan for a container roll-on roll-off terminal.

Regular sailings include a fortnightly service to and from Finland for forest products and a monthly one to the Faroes with general cargo. Other new industrial developments in south-east Northumberland include an expansion of the £10m Kimberley-Clark paper tissue mill at Prudhoe to add 30 to the existing staff of 670.

## Growth

Meanwhile, as already indicated, the county council has published its interim review statement on industrial development in rural areas in an effort to stem depopulation. In the north, Berwick-on-Tweed is also being helped by the Development Commission and the Eastern Borders Development Council whose brief covers the eastern parts of the Scottish border region as well. Programmes covering the next three to four years are being started by the county's rural industrial development committee, with the market towns of Alnwick, Morpeth, Amble, Hexham and Haltwhistle (as well as Berwick) designated as the main growth points.

The statement recommends that the whole of the advance factory programme for these areas should be co-ordinated by the Development Commission and warns that in view of the difficulties experienced in land purchase, the county and the four district councils should be prepared to exercise compulsory purchase powers to avoid further delays.

The weapons at the county's disposal to fight unemployment, and depopulation and a deteriorating age structure in the rural areas include the whole battery of development area benefits, with the slightly higher special development area incentives applying in south-east Northumberland. But these benefits are reinforced by local initiative which is spearheaded by a whole section in the county planning department led by a senior official and devoted to the attraction of new industry and the servicing of existing ones. The county is also represented on the NEDC and its trade missions which have recently ventured as far afield as Brazil and the Middle East, with further ones being planned to Iran, Nigeria and Japan.

# A strategy for development

WHEN in the early 1960s it began to appear that Northumberland's economic base would change as a result of run-down in mining and, to a lesser but still significant extent, in heavy industries, the county council was faced with the choice of allowing Northumberland to be reduced to a rural tourist area or of pursuing a policy of rapid reclamation and modernisation.

Having opted for the latter, the county found the 1963 Hill, that all financial responsibility for the regeneration, including guaranteeing a North-East England, a venue, had to be accepted. Thus the construction of "growth points" infrastructure improvements including a viable communications network and buildings. Mr. William Leech, chairman of the council, and Mr. John Bell offered to the county the services of the private sector development if the services were provided by the local authority. So a partnership was struck between the county council, Seaton Valley, Crumlington, and Killingworth, (now Blyth Valley) district, both small villages on the council and the builders, the county would buy and prepare land for industrial development as well as provide the services of the private sector development. It also has for a new town, which is characteristically large (about 80 per cent) of owner occupiers or (to a lesser degree) members of the North of England Housing Association—which, of course is one of the consequences of private developers being involved.

Partnership. The two well-known local communications network and buildings. Mr. William Leech, chairman of the council, and Mr. John Bell offered to the county the services of the private sector development if the services were provided by the local authority. So a partnership was struck between the county council, Seaton Valley, Crumlington, and Killingworth, (now Blyth Valley) district, both small villages on the council and the builders, the county would buy and prepare land for industrial development as well as provide the services of the private sector development. It also has for a new town, which is characteristically large (about 80 per cent) of owner occupiers or (to a lesser degree) members of the North of England Housing Association—which, of course is one of the consequences of private developers being involved.

half the drainage costs being met by the Government, which meant that the county council, which has already spent an estimated £3m on the land purchase, schools and some of the basic services has managed to balance its accounts by borrowing on the one hand and profitable sale or leasing of land to industry (including the English Industrial Estates Corporation as well as private industry) on the other.

Killingworth, the smaller district north of Newcastle, has now become part of the Tyne and Wear metropolitan area. But the economic value of Crumlington, with an existing population of 22,000 and a target of over 60,000, has become the greater to the county owing to local government reorganisation and the loss of 230,000 of its population, leaving only 285,000 people for the largest for local authorities in England.

Crumlington has been a notable success in terms of providing jobs not only for its own inhabitants but for the thousands coming in from the outside. It also has for a new town, which is characteristically large (about 80 per cent) of owner occupiers or (to a lesser degree) members of the North of England Housing Association—which, of course is one of the consequences of private developers being involved.

Altogether the county plans to invest at least £7.5m in Crumlington over the next 10 years. So far investment is estimated at well over £20m. The pace of further progress will, however, depend on the application and interpretation of the Community Land Bill, now passing through its stages in the Commons: for Northumberland is in the probably unique position among local authorities of being in the speculative land business.

Another problem likely to arise will be the establishment of a democratic base for the new town which is administratively part of the county and of Blyth Valley district. Although it has a lively community association, its rapid growth seems to call in the fairly near future for a more formal type of representation from the citizenry of Crumlington.

On the other two main supports for the reconstruction of Northumberland—communications and land reclamation—progress has been reasonably satisfactory up to now, though the restrictions on public expenditure are bound to slow it down in the next few years. The Tyne Tunnel, its links with the main arterial roads and the "spine road" connecting it with centres such as Blyth, Ashington, Bedlington and Beaton Burn, Wideopen and Morpeth, has been completed; but the final part of the road

strategy, a peripheral are route west of Newcastle linking the A1 main north road with the A69 to Carlisle and the M6 and the A696 to Ponteland and Carter Bar is still to be carried out.

An essential segment of the county's strategy is the network of direct routes from the main population centres in the county to Newcastle regional airport which has been completed in most parts; but, as the county's transport plan already referred to points out, public transport—particularly vital in the sparsely populated rural areas—leaves much to be desired.

## Reclamation

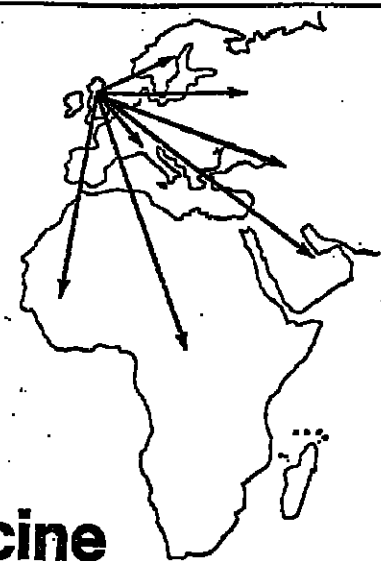
The county has also prepared a plan for the reclamation of 7,700 acres of derelict and despoiled land, the larger part comprising pit heaps and excavations. The report published a year ago, shows that 1,740 acres had already been reclaimed (the reclamation of a single complex at Ashington is estimated to have cost around £2m so far) and nearly 500 further acres were being treated.

As the report says, the Ashington project, one of the largest reclamation schemes in Britain, will remain the county's major commitment in this field up to 1979/80. But this is not the only one. Other schemes are under way or are

being prepared at Amble, Berwick, Wylam, Prudhoe, Craster and Cawfields.

Reclamation does not only improve the "image" of the county but is a considerable incentive to the expansion of tourist trade. It is difficult to establish to what extent Northumberland is a tourist centre of just a transit to tourists on their way to Scotland. But in any case, the Northumbria Tourist Board took advantage of the Government's recently ended hotel development and other schemes, particularly to support major tourist attractions such as the National Park, the Roman Wall, the castles and the other parks and woodland with the necessary tourist facilities, including hotels, car parks and information centres.

Economic growth, communications, land reclamation and rural regeneration are all part of Northumberland's strategy to raise standards in both prosperity and services in an area which in many respects has been among those lagging behind the southern half of Britain. That is why the restraints on spending imposed by Government policy are bound to have a more serious effect in Northumberland than elsewhere, for there is more leeway to make up.



## In the Service of Medicine

Searle's ultra modern factory was established at Morpeth in 1969 on a 28 acre site and now employs over 400 people.

A large extension has recently been completed and is now in use.

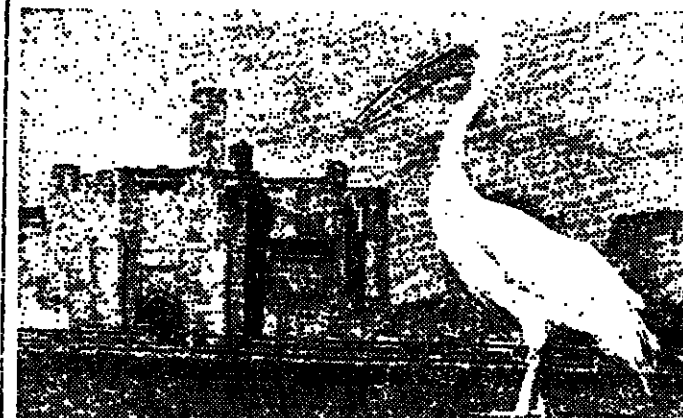
This plant is one of the key manufacturing units in the international organisation of G. D. Searle & Co., a leading U.S. pharmaceutical company, and as such is a supplier to many countries.

SEARLE Searle Laboratories

Whalton Road, Morpeth, Northumberland

There's more than meets the eye in

## Northumberland



Take this pelican for example, now making its home in the county. Yet it doesn't take a rare bird to recognise

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Find out why by contacting: Gerry White, Chief Leisure and Publicity Officer, Wansbeck District Council, Wansbeck Square, Ashington, Northumberland. Tel. 0670 814444



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**FOR THE RESIDENT**—Financial assistance for house purchase, excellent environment, modern houses at realistic prices, beautiful links and foreshore and within pleasant driving distance of Northumberland's National Park.

For further particulars please contact

Mr. P. W. Ferry, Chief Executive, Borough of Blyth Valley, Council Offices, Seaton Delaval, Whitby Bay, Tyne & Wear. Tel: 0632 480788.

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Tradition, integrity, craftsmanship, and a strong sense of realism are the hall-marks of Carse Country. They are, too, the qualities which distinguish Carse's approach to construction, in both the public and the private sector and whether the result is a housing estate, a warehouse, a factory, or an office block.

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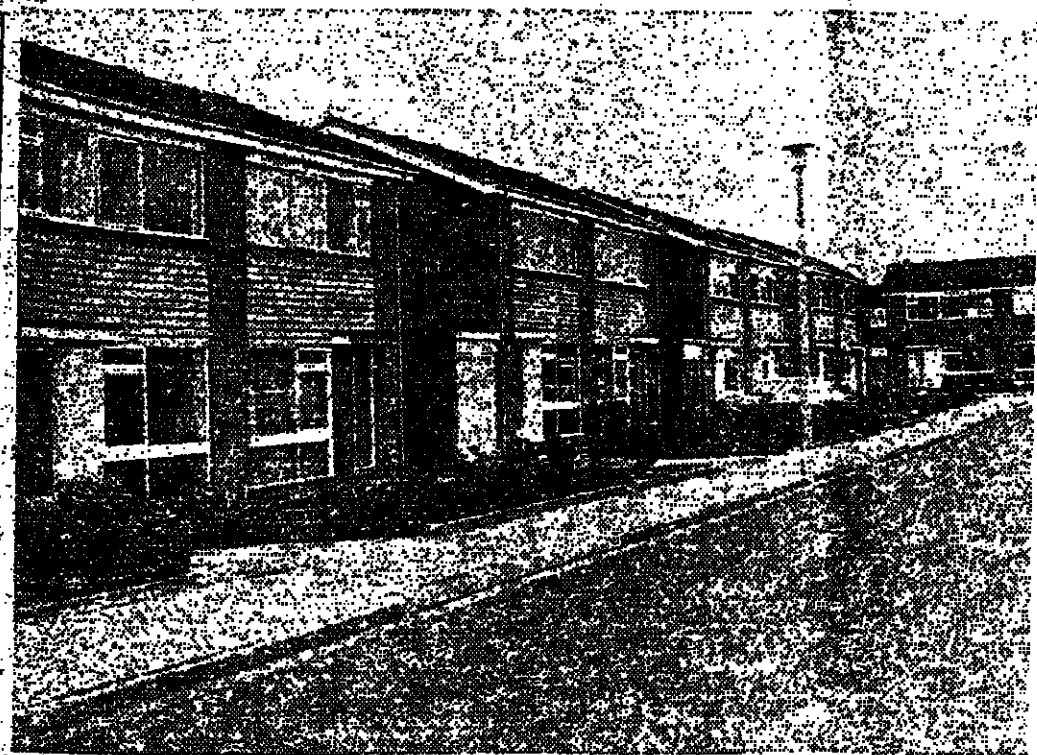
Borough of

## BERWICK - UPON - TWEED

needs

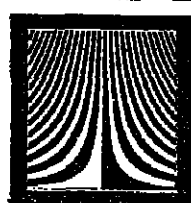
Tourism and Light Industry

offers National growth point at Berwick-upon-Tweed, with supporting growth points at Elford, Seahouses and Wooler. Advance factory facilities through Development Commission. Main road and rail communications, with good port.



New housing at Crumlington.





# The Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHÖETTERS

## PROCESSING

### Push-button pattern making

GRAPHIC conversion from an artist's sketch to the full size "long film" for engraving, has been speeded up from weeks of manual work to two-three hours with the SCI-TEX System Response 200, from Israel.

Applicable to printing in textiles, wallpaper, flexible decorative foil, packaging and many other fields, the Response 200 will scan up to 12 colours and allow editing and selection of the colours and design. It will finally separate each colour to produce the black/white long films used for engraving, through an electronic laser camera. The films are then used in the preparation of galvano and lacquer rotary screens, flat screens, roto-gravure and roller cylinders.

The entire system comprises the SCI-TEX scanner, a central processing computer, a magnetic tape and disc memory for designs and colours, a colour design console incorporating a colour TV screen, electronic stylus and manipulation controls; next to this are the command display terminal and the electronic laser camera.

The design can be manipulated to place it on repeat, square set, half drop or irregular drop. Colours can be accentuated to locate and isolate geometric

### Cheaper thin wall small tube

ELLAY ENFIELD Tubes (EET) has commissioned a plant at Workington, Cumbria, to manufacture thin-walled tubing of copper and aluminium and their alloys.

## CONSTRUCTION

### Air blasts out pipe blockages

SAFE AND easy clearing of blockages in waste disposal, sewage and drain pipes can, it is claimed, be carried out by unskilled staff with the air pressure operated Diamond cleaning gun, introduced by Independent Machine Co., 33 Highmeres Road, Thurston Lane Industrial Estate, Leicester, LE4 7LZ.

A range of fittings caters for different types of drain or outlet cover. The company says tests have shown that U-bends and joints in piping do not affect the gun's efficiency, nor does the length of the pipe or drain. In many cases efficiency is heightened by pressure on water in front of the blockage, creating an extra hydraulic effect.

## PRINTING

### Plates made in plastics

USE OF plastics (photopolymer) plates in the printing industry offers significant advantages. They cost less than metal plates, have reduced processing and handling times and processing

### Boiling bed burner cuts out sulphur

FLUIDISED combustion steam and power generation plant combining efficient fuel usage with environmentally clean operation, and a saving in capital cost, will shortly be available following an agreement between Babcock and Wilcox and Combustion Systems to develop and commercialise British expertise in this field.

Babcock and Wilcox design and supply plant for generation

## METALWORKING

### Capstan fed circular saw

BY ADDING a capstan feed to a front cutting traversing circular saw, large sections and solids can be cut manually with little effort, says Sawtech Channel, Westfields Road, London W3 0RE (01-893 0811), introducing the Gaco 400 saw which uses this method.

It is claimed that there is no sacrifice of the benefits associated with cold circular sawing of speed and precision with a clean burr-free cut. The cutting head is mounted on twin slides and connected to the capstan feed by a rack and pinion. Three lever-selected speeds enable a range of materials to be cut, including tough alloy steels. Horizontal and vertical clamps secure the workpiece and, for entire cutting, the head can be rotated.

Maximum capacity is 144 bar, 54-inch sections, 144 by 4 inch solids and 51-inch O.D. rounds—typical performance is 21 seconds to cut a 3-inch diameter steel bar. There is a semi-automatic version with hydraulic cutting head feed and hydraulic clamping.

## AUTOMATION

### Reproduces coinage dies

AUTOMATIC reproduction of relief, medal, seal or coinage dies can be carried out on a die reducing machine made by EVD Engineering, Cotswold Street, West Norwood, London SE27 0DS (01-761 1211).

Called the Type 712, it is an engraving machine of the three dimensional pantograph type (like its predecessor the Type 711), but with improvements in the setting arrangements and control. In addition, the introduction of solid bearings and a new down feed are said to give versatility, improved definition and increased productivity. The machine is now capable of generating exact 1:1 facsimiles of existing dies. Cambering facilities are available as an option.

It will accept models from 38 to 400 mm. dia. Reductions in metal or epoxy resin between 300 and 40 mm. dia. can be obtained from the 400 mm. dia. model, and from 19 to 3.8 mm. dia. from the 38 mm. dia. model. Relative relief can be increased by 33.3 per cent, or reduced by 50 per cent. Reverse engraving can also be achieved, for example incuse from relief and vice versa.

## COMMUNICATIONS

### European data net takes shape

INDICATIONS are that the final Euro-net implementation study report is soon due, and that the final recommendations will be substantially as in the interim draft report prepared earlier this year.

Prepared for the EEC Commission by Pandata BV, Holland, the report includes a timetable which indicates that the basis of the organisation for the pilot stage should start being laid down from this month onwards. The first stage, a three node network, is to be up and running in little over a year, by October 1976.

This seeming haste has a reason. Euro-net is meant to establish a direction for network communications in Europe, before the Community becomes so cluttered up with networks of differing designs that common solutions become difficult to enforce. The report lists more than 20 networks, some purely European, others in part covering Europe, at base stage or other of creation, few of which are directly compatible with one another.

The system is British designed and made, and believed to be the most widely used dedicated foreign exchange system in the world.

Based on a Comet mini-computer which, in the Thomas Cook application controls up to eight terminals per processor, it is designed to handle the complete foreign exchange business in any Thomas Cook retail office.

With set and variable rate and commission facilities, the system will calculate, print and record foreign exchange transactions in the currencies of 170 countries. Foreign currencies, travellers cheques, drafts, transfers and inter-office accounting, required

to create the local foreign exchange branch accounts have been fully programmed.

The new order will extend the Thomas Cook computer installation programme to all the major offices throughout the U.K.

Among the benefits offered is a reduction of time spent by cashiers balancing their tills; greater throughput per cashier; automatic provision of information for currency stock control and general accounting and auditing purposes.

The system is based on the company's own Comet 1908 processor, with a 16K memory, and includes a cartridge tape unit for back-up and postal transmission of data to a central site. It uses the standard Comet terminal, which has a 36-character alpha-numeric display with a built-in printer; up to sixteen of which are connected to one central processor.

This order brings the total of Comet terminals sold to date to over two hundred. Comet plans to use the same basic hardware for a variety of standard, low-cost systems for retail, commercial and industrial applications.

Further details from the company at Ronald Cook, Kensington, Bedfordshire, Bedford MK32 5ST.

### Sorts by computer

ALREADY SUCCESSFUL in other parts of Europe, a computer driven system for sorting parcels, luggage, warehouse goods and factory components is to be marketed in the U.K. by Paterson Hughes Engineering Company.

Made by Kossan Crispall a/s in Denmark, the system is based on a dumping conveyor and bins in which the conveyor belt is made up of individually activated segments in the direction of travel.

200 mm. wide. There can be bins on each side of the belt and each slot can be tilted to either side, under the control of the computer to make items slide

off into the required bins. More than one slot is activated to give a cascade action and give positive, error free sorting.

The computer is fed with data from manned coding stations at the start of the conveyor. Two or more operators can operate keyboards according to destinations of the items, the latter are tracked by photocells and dumped off the conveyor at the right moment.

Apart from postal, rail and airline applications, Paterson Hughes can make installations in mail order warehouses and manufacturing plants. More from London Road, Sevenoaks, Kent (0732 56274).

### North Sea oil

#### Safer hose for oil

PIONEERS in the development of integral floating hose for offshore oil production, Dunlop has produced a second generation hose designed to reduce the risk of oil spillage occurring during offshore loading and discharge.

There are now some 150 mono-buoy systems in current use around the world, and the need to eliminate any risk of oil spillage is increasingly important.

Called "Safeoil", the hose incorporates a secondary carcass that will contain escaping crude oil in the event of failure of the primary.

In the event of failure of the carcass a warning system will allow the hose to distort so that the outside diameter is increased by at least 35 per cent, giving the terminal operator a visible indication of trouble while still allowing transfer to be completed. The rate of distortion

### PRODUCTS

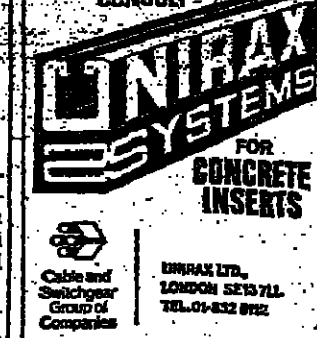
#### Leak proof pump unit

MAGNETIC motorised pump units are to provide a maximum flow rate of 420 gals/hr at zero head have been introduced by Totton Electrical Sales, Southampton Road, Cadnam, Southampton, Hants (Cadnam 3138).

The design incorporates a ceramic magnet drive between motor and pump, obviating the use of a shaft seal. It is therefore leak-proof, overcoming a problem often associated with orthodox drive systems through glands.

Apart from the ceramic spindle and drive magnet, all parts of the pump are made from polypropylene, making it suitable for a wide range of applications involving chemicals at temperatures between -30 deg. C and +50 deg. C.

The use of non-toxic materials inside the pump housing allows the unit, designated PEP175, to be used where contamination cannot be tolerated.



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This announcement appears for purposes of record.



\$10,000,000

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for

### Economic Integration

(Banco Centroamericano de Integración Económica)

8% Tax-Exempt Bonds due 1990

The above transaction was arranged directly by the Central American Bank for Economic Integration with the Venezuelan Investment Fund.

August 25, 1975

THE LTV CORP.

September 16, 1975

It's always one worse than you. U.S.

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Notice of Adjustment of Conversion Price

NOTICE IS HEREBY GIVEN that the price for conversion of the above-mentioned Debentures into Common Stock of The LTV Corporation was adjusted as of 27, 1975 from \$70.83 to \$69.75 per share of Common Stock.

September 16, 1975

It's always one worse than you. U.S.

THE LTV CORP.

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TUESDAY, SEPTEMBER 16, 1975

## The thrift season

FOR the third month in succession the official figures for consumer spending show no significant recovery; the volume of buying seems to have stabilised for the time being 5 per cent. below the level in the first half of the year, and more than 6 per cent. below the peak reached in the two winter quarters. The trend has been established before the squeeze on real incomes implied by the present anti-inflation policy has really begun to hurt.

For more than a year now, personal savings have been running at far above their historic average, and well above forecast levels. In other countries the same behaviour has been seen, and has persisted in spite of a sharp fall in real income, and all the available evidence suggests that so far, at least, British consumers are showing the same thrifty pattern of behaviour. Not only are retail sales down further than real income has yet fallen, but saving with the building societies remains very high, while borrowing, except from the building societies, has virtually dried up.

**Eroded savings**

Various explanations have been offered: a desire to restore the value of savings eroded by inflation, a reluctance to borrow at a time when employment prospects are questionable even in the most sheltered occupations, the disallowance of bank interest charges against tax, and fear of future inflation in the price of everyday necessities. There is probably something in all of them; and it seems only too likely that forecasts based on historic patterns of behaviour have given too little weight to them.

This self-imposed austerity has achieved very much the same economic results which some critics of the Government were warning not long ago from more austere fiscal policies: the balance of payments has been better than was expected, prices are being restrained by market conditions rather than by official interference, and the growth of the money supply has been moderate. The effect on the Government's accounts, on the other hand, is just the reverse of what a fiscal squeeze would have produced: revenue is depressed, expenditure on support for the unemployed is up, and the public sector deficit would be likely to come out a good deal larger than the £9bn. Budget estimate even if the cost of public services were now under firm control.

## Behind the Liberal ramparts

THE LIBERAL Party Conference which opens at Scarborough tomorrow does not promise to be a very happy affair. The Party has no shortage of policies, many of them sensible and original, and still commands the support of more than ten per cent. of the voters, if the evidence of the opinion polls is to be believed. Yet there is no denying that the Liberals seem for the moment to have lost their way. They are considerably less popular than they were a year ago and they are deeply divided on what ought to be done either to regain their popularity or to acquire some new ideological momentum which would give promise of better things in the future.

Some of the reasons for this eclipse are no more than the inevitable reaction to forces over which the leaders of no minor party could have any control. A decline from the high point of Liberal fortunes in February of last year was very probable as many discontented Conservatives who had swollen the Liberal ranks at that time returned to the fold. The brief moment when the Liberals genuinely held the balance of Parliamentary power and therefore possessed an unusual initiative and interest has passed. In Scotland and in Wales they have been upstaged by the more extreme Nationalist parties.

## Serious reasons

There are, however, two more serious reasons which can be plausibly brought forward to account for the Party's difficulties. The first is simply disorganisation. The inquiry conducted by Mr. Richard Wainwright into shortcomings at Party Headquarters and elsewhere has resulted in a report so sulphurous, by all preliminary accounts, that when it is released and debated later this week it is hard to imagine that the clamour for reform will not become irresistible.

The trouble about adopting any simple remedy of this kind is that vital questions of balance and power within the Party are involved. The present Executive is predominantly on

## Paradox

The whole situation leads to the apparent paradox summed up in recent Opposition speeches on the economy, in which demands for economies in the public sector alternate with suggestions for an expanded programme of public works to provide opportunities for the unemployed, especially the new school leavers. In fact, there is a way in which the paradox makes sense. A determined attack on the apparently uncontrolled growth of costs and manning in the basic public services is vital for the restoration of economic health and business confidence; but an anti-depression programme of retraining would be socially helpful and—given the high level of unemployment—beneficially cheap. Since consumers are in so restrained a mood, there is also a case for wondering whether the existing restraints on hiring purchases and personal lending by the banks are not a matter of over-severity. But any relaxation on these lines is unlikely until the Chancellor is convinced that inflation is really being brought under control; nor would it be possible, even if he wished, to engineer a recovery before then. Inflation itself is, after all, the root cause of this deep and persistent recession.

Question: Last week you argued that our democratic process of government decision-making is being worn away. How can we get it back? (A composite of the questions put by several readers in letters published yesterday.)

Answer: Militant democrats should unite. If they are to do so they must find a single cause. People who disagree about many other things—the exact mix in the mixed economy, the pros and cons of income policy, the best approach to moves towards further integration of Western Europe, or whatever—can at least agree that if our electoral system is unfair it should be changed.

Q: But is it unfair?

A: In February 1974 the Conservatives won nearly a quarter of a million popular votes more than Labour, but Labour won more seats, and so "won" the election. In October the Labour Party attracted even fewer votes than in February (while the Tory vote fell even further), but this was regarded as a "mandate" from the people to carry out Left policies supported by fewer than a fifth of the voters.

This can work both ways: in 1951 Labour won 200,000 more votes than the Conservatives, but it was the Tories who by chance won the most seats that time. However you cut the figures about, there can be little fairness in a system that in October, 1974, needed, on average:

35,915 voters to elect one Labour MP.

37,771 voters to elect one Tory MP.

40,777 voters to elect one Ulster Unionist MP.

55,440 voters to elect one Plaid Cymru MP.

78,328 voters to elect one Scottish Nationalist MP.

and 411,238 voters to elect one Liberal MP.

Q: All right, it is rough justice, but surely it provides strong government?

A: Was Mr. Edward Heath's Government, the one that was forced into a U-turn half-way through its term of office and then defeated by the miners at the end of it, a "strong government"? Is Mr. Harold Wilson's administration, held in thrall as it is by the trade unions, a "strong government"? If Mrs. Margaret Thatcher won an early election, which is quite likely, would she be any better-placed to win acceptance for specifically Tory measures than was the triumphant Mr. Heath of midsummer 1970? Really strong government rests on the broad-based consent of a convincing majority of the people.

Q: Hang on a moment. Did not proportional representation in cause the rise of Hitler in

Germany? Was it not the reason for farcical government in France?

A: These countries have never shared a voting system in common, let alone one that could be given the blanket name "proportional representation". Take them one at a time. In Germany, before World War I, when there was no proportional representation but a single-member system of voting not unlike ours, they had more than 20 parties represented in their Parliament. In the Weimar Republic, which had the most extreme liberal form of proportional representation they could devise, the number of parties moved between 10 and 15. Hitler never won a majority of seats in a fair election (although he probably would have on the British method of vote-counting). After 1945 the new carefully-circumscribed form of German PR has produced one of the most stable governments in Western Europe. The number of parties in the Bundestag is down to three from 11 in 1949; in Britain the number of parties

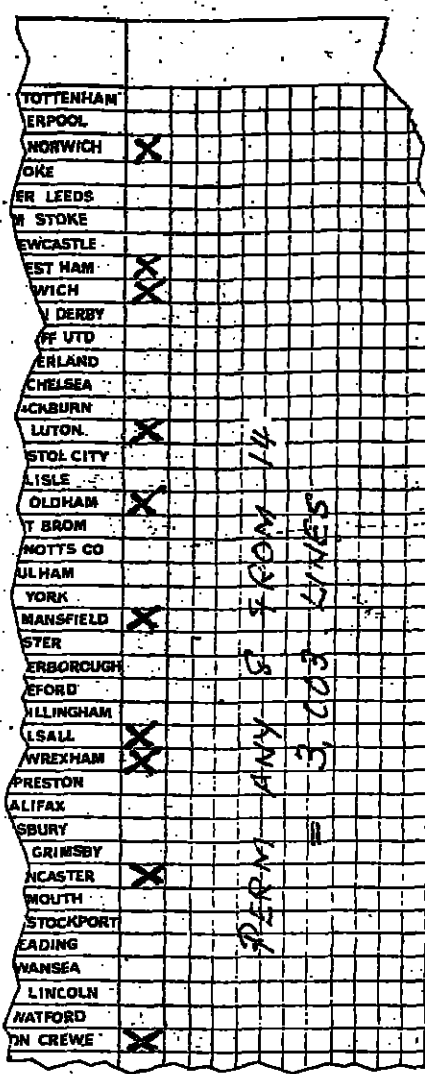
in Parliament has risen to six. In France they have hardly ever tried proportional representation: the only time they used it without hopelessly bending the rules was in three elections between 1945 and 1946.

Q: Yes, yes, but "proportional representation" is surely just a cranky obsession, something very few people can accept or believe in?

A: If this is so Britain is the only non-cranky country in Western Europe. It is the only member-country of the European Economic Community that uses the horserace system of elections we have. Even in France, where representation is not proportional (unlike just about everywhere else, in Western Europe) they use the second, run-off vote in an effort to minimise the absurdity of sending representatives to their parliament on 40 per cent. or fewer of a constituency's vote.

Q: Well, what about the French system for Britain—or something like it, then?

A: The French system is designed for a French purpose:



## SINGLE TRANSFERABLE VOTE

<input type="checkbox"/>	T. BLACK	NAT. FRONT.
<input checked="" type="checkbox"/>	1. A. BROWN	LABOUR
<input checked="" type="checkbox"/>	4. F. GREY	SCOTTISH NAT.
<input checked="" type="checkbox"/>	3. P. GREEN	LIBERAL
<input type="checkbox"/>	L. MAGENTA	COMM.
<input checked="" type="checkbox"/>	5. S. SCARLET	IND.
<input checked="" type="checkbox"/>	2. H. WHITE	CONSERVATIVE

## GERMAN SYSTEM

1st VOTE	2nd VOTE
T. BLACK NAT. FRONT.	NAT. FRONT. T. BLACK & LIST
A. BROWN LABOUR	LABOUR A. BROWN & LIST
F. GREY SCOTTISH NAT.	SCOTTISH NAT. F. GREY & LIST
P. GREEN LIBERAL	LIBERAL P. GREEN & LIST
L. MAGENTA COMMUNIST	COMMUNIST L. MAGENTA & LIST
S. SCARLET INDEPENDENT	INDEPENDENT S. SCARLET & LIST
H. WHITE CONSERVATIVE	CONSERVATIVE H. WHITE & LIST

QUESTION: Systems of proportional representation are too complicated for British voters to understand, aren't they? ANSWER: Millions of British voters can do complicated football pools (left). They can surely manage, as the Irish have done for half a century, the 1, 2, 3, 4 voting known as the Single Transferable Vote (top right) or—as the West Germans have done since the war—the two-vote mixed system (bottom right).

Germany? Was it not the reason for farcical government in France?

A: These countries have never shared a voting system in common, let alone one that could be given the blanket name "proportional representation". Take them one at a time. In Germany, before World War I, when there was no proportional representation but a single-member system of voting not unlike ours, they had more than 20 parties represented in their Parliament. In the Weimar Republic, which had the most extreme liberal form of proportional representation they could devise, the number of parties moved between 10 and 15. Hitler never won a majority of seats in a fair election (although he probably would have on the British method of vote-counting). After 1945 the new carefully-circumscribed form of German PR has produced one of the most stable governments in Western Europe. The number of parties in the Bundestag is down to three from 11 in 1949; in Britain the number of parties

in Parliament has risen to six. In France they have hardly ever tried proportional representation: the only time they used it without hopelessly bending the rules was in three elections between 1945 and 1946.

Q: Yes, yes, but "proportional representation" is surely just a cranky obsession, something very few people can accept or believe in?

A: If this is so Britain is the only non-cranky country in Western Europe. It is the only member-country of the European Economic Community that uses the horserace system of elections we have. Even in France, where representation is not proportional (unlike just about everywhere else, in Western Europe) they use the second, run-off vote in an effort to minimise the absurdity of sending representatives to their parliament on 40 per cent. or fewer of a constituency's vote.

Q: Well, what about the French system for Britain—or something like it, then?

A: The French system is designed for a French purpose:

to keep the Communists out. This it does very well, since the voters can let themselves go on the first vote and fall into line on the second. It does not produce proportional representation; in fact it is designed not to. Anyhow, the French have a Presidential constitution, quite unlike ours.

Q: You are surely not going to advocate one of those Continental party lists?

A: The very idea of this is so alien to British ways of thinking about elections that it would be impractical to advocate it in its unadulterated form even if it seemed to be the best way of voting for Britain.

Q: Wait, what about that "unadulterated form"? Do you propose a party list in a modified form? What are "you" hiding?

A: The West Germans use a combination of the British system and the party list. Voters have two votes, all on one ballot form. On the first vote they mark their X by the

name of the candidate they prefer. In Newham, for example, it could be Mr. Reg. Prentice standing against the Labour official candidate. On the second vote they mark the party of their choice: in that same Newham election, a Labour voter could then go on to mark "Labour" on the second vote side. Provided the support is there, Mr. Prentice could win in Newham and the Labour Party would be assured of its due proportion of seats in Parliament.

Q: How is this miracle achieved?

A: Half the seats in the Bundestag go to the constituency members, elected on precisely the same rules as British MPs. The other half are distributed by computer, using party lists, on the basis of rules well understood in Continental Western Europe for more than half a century: the important point is that when the computer has worked out what the fair share of a party's vote should be it subtracts the constituency members already elected from that total. In this way the list-elected MPs serve to make the party proportions exact.

Q: Is this the best system for Britain?

A: Westminster politicians who favour PR often prefer the German system because it could be introduced in such a way that most of them would stand a fair chance of being sent back to the House under the new rules. Also it does keep at least half the constituencies single-member: this is something about which there is a great deal of (unthinking) reverence in Britain.

Q: You seem unsure. What is the alternative?

A: The "Single Transferable Vote" as used in Ireland for half a century, and in Northern Ireland now, and as proposed by the Kilbrandon Commission for the regional assemblies in Scotland and Wales. Voters vote one, two, three, four in multi-member constituencies, which is simple enough.

The counting is complicated; its effect is to produce a set of representatives that most exactly mirrors opinion within the larger constituency. A five-member British constituency might send, say, two Tories, two Socialists and one Liberal to Westminster. The voters would have said very firmly which brand of Tories, Labour politicians, or Liberals they would be. This system favours voters' choices above party.

Q: Where does this leave what you call the "militant democrat"?

A: With a clear line of action—to campaign for electoral reform without being dogmatic about which system—except that a preference for one of the main alternatives (the single electoral reform could be indicated: inside the Lib Party the battle is on as seen at its Scarborough conference this week: just out there is the Liberal Refo Group for Electoral Refo. The Tories have their inside-party debate coming at their conference next month. Mr. Roy Jenkins indicated, a being pelted with flour at a ham town hall last week, some electoral reform might be necessary.

Most significantly, the I said Society is sponsoring all-party commission to s proposals for a system suit for Britain, and aims to re by next spring. Several d gushed people are s including the chairman, Blake, Professor Ralph Dal dert, head of the London S of Economics, and repres tives of the three nat parties.

Q: What can the "militant democrat" do about any of it?

A: There will be no until there is a major favour of it inside Parli and only a groundswell public opinion can support a majority. Those who care should inform them as fully as possible electoral reform and ag within their political part

Q: At the end of the d result will be coalition, w Can't we just work for without all the extra tr

A: We have an unw coalition in Parliament. It is not very satisfactor politicians' coalition, a without reference to the v might just alienate more from the parliamentary s The only workable coalt one the voters' want, c consciously at an electio both West Germany and I the small third parties recently taken to sayi the election what their c terms would be once the was over. This gives v true idea of what they for. Of course, in any proportional system a that won half the votes be able to govern.

Q: Isn't all this a s from our real social anomic problems?

A: Electoral reform a first step towards r the authority of Par Without a Parliament r British democracy can restored. Subsequent might include a whole t things, like fixed-term el genuine regional devot England as well as in S and Wales), a written Rights, and domestic s economic policies that w once reflect the will reform without being dogmatic about which system—except that a preference for one of the main alternatives (the single electoral reform could be indicated: inside the Lib Party the battle is on as seen at its Scarborough conference this week: just out there is the Liberal Refo Group for Electoral Refo. The Tories have their inside-party debate coming at their conference next month. Mr. Roy Jenkins indicated, a being pelted with flour at a ham town hall last week, some electoral reform might be necessary.

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Q: What can the "militant democrat" do about any of it?

A: There will be no until



**BY ELINOR GOODMAN**

## Letters to the Editor

**The Minister of Health Dr. David Owen: he approaches the task of stamping out smoking with an evangelical fervour.**

In April, he startled the industry by announcing in the Commons that he had failed to get its agreement on a six-point list of proposals aimed at bringing home to the public "the very serious dangers to health of cigarette smoking." He accused cigarette manufacturers

**This Act, passed in 1968, enables Government action on drugs, based on advice from an expert and independent advisory committee after consultation with interests likely to be affected. If used in the context of tobacco products, it could cover the regulation and control of such matters as the use of substitutes and additives and allow enforced reductions in tar and nicotine yields.**

## Limits

All such discussions between the Government and the tobacco industry ultimately take place within narrowly defined limits. The Government cannot afford to jeopardise the £1.5bn. revenue it gets from tobacco duty, while the industry cannot in its turn be seen to endorse medical evidence about the existence of health risks. Thus, industry spokesmen preface remarks about health risk with the word "if" and the Government constantly stresses its belief in individual freedom.

...r 20-10p more than in De-  
cember, last year—while some  
...tain cigarettes like Senior  
...ervice, have gone up by 12p  
...or 20.

...Sales have now, nonetheless,  
...recovered to within 3 or 4 per  
...cent of their level last summer.  
...and short time working is a  
...thing of the past. But even so  
...the Budget has had far reach-  
...ing effects on smoking habits.  
...the smokers' reaction to these  
...udden price increases has been

Whereas last year king-size brands accounted for about 10 per cent of all cigarettes sold, the proportion this year is expected to drop to around 9 per cent. (The king-size market could, however, receive another sales boost if plans to harmonise tobacco taxation along European lines come into effect, as scheduled in 1978. The result of this harmonisation would be to narrow the duty difference between different sizes of ciga-

A real sign of the times is the fact that sales of roll-your-own tobacco have taken off after several years of stagnation. At the other end of the spectrum, cigar sales are also doing well — presumably as a result of the popular belief that cigars are less damaging to health than cigarettes. Meanwhile, the trend to milder brands has continued — sales of the brands at the bottom end of the Government's tar and nicotine table are expected to

At the same time the industry has also announced a tougher code of advertising practice which will ban advertisements linking smoking with sex, youth, manliness and business success. The code is to be monitored by the Advertising Standards Authority rather than

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**What a gas!**

(13p a therm?) have already  
 been agreed to by the  
 falling off the edge of  
 the graph. If its much dearer  
 (4p a therm?) contracts with  
 the foreign licensees of Frigg  
 will peak in 1982 and fall at the  
 rate of 10 per cent a year there  
 after, and if it fails to land  
 the bidding (12p a therm?) then  
 the prospects for our natural gas

architect and contractor  
 to be a civil engineer. I  
 consider that the submission of  
 steelwork calculations to the  
 local authority is time-wasting  
 and unnecessary. Member Jarn  
 of the Institution of Structural  
 Steelwork Association says  
 experienced designers who, with  
 their close proximity to a fabri-  
 cator, can rely on their own  
 experience. Structural failures  
 in this country are rare.

## Into an autumn of discontent

At a time when our own Inter-  
national Computers is announc-  
ing a new line of computers, the  
United States and Digital are offer-  
ing similar machines. IBM's sales  
of its new mini-computer have  
reached the £50m mark in Europe just four  
months after its introduction.  
Britain is apparently running  
Germany and France a close  
second, but never seem to be first  
these days) in the race to buy  
the system.

As a young British computer system consultancy, our primary task is to advise our clients in all aspects of data processing. Remarkably we find that time and time again we are unable to recommend that they buy British. It is not that we do not manufacture small computer systems—ICL, Digico and Compton Technology. It is because we cannot appear to lie in the area that we cannot market our products, nor do we appear to be able to generate the level of enthusiasm necessary to do so. The fact that many of the businessmen who read this letter

with this marketing problem rather than blame poor order books on the economic climate. If the entrepreneur wants price rather than performance, as it would appear judging by ICL's results, then give him just that. Perhaps ICL and Digico, with a little NEB help, might get together to produce a system that is needed—a low cost British system—marketing with enthusiasm under the ICL banner.

K. J. Lawford.  
S. M. Byrne and Co.  
Newton House,  
466, Stratford Road,  
Sparkhill, Birmingham.

## The great divide

From Mr. J. B. Lockhart.  
Sir,—We are beginning to see that the great split in British politics is not between Tories and Socialists but is within the ranks of the Labour Party, between the Right and the Left.

There is, however, one aspect of this basic split which is rarely stressed. This is the malignant influence over our political affairs now exercised by the physical shape of the House of Commons. The political parties confronting each other across the corridor suited the country pretty well when there were only two parties, both broadly believing in a law-abiding property-owning democracy. But when a third party emerges, the balance is upset. But one party (the less extreme) will inevitably go to the wall.

This was the main reason why the rise of the Labour Party killed the Liberal Party in the 1920s. This corridor is also the reason why any talk of coalition to-day is quite unrealistic.

The great majority of ordinary people in Britain would welcome a strong central government of moderate Socialists, Liberals and Tories. But where would its supporters sit in the House? That damned corridor will prevent a coalition just as surely it will continue to cement the great breach between the Marxists and social democrats inside the Labour Party. John Bruce Lockhart, The Reform Club, Pall Mall, London, S.W.1.

From Mr. J. T. Ogden.  
Sir,—I share the feeling of irritation at the Government's propaganda exercise expressed by Mrs. E. M. Farquhar (September 11).  
With respect, would it not be more accurate to say that the object of the exercise is to persuade the people now to believe what they have known for at least the last six months but which they have been only too willing to ignore because of Government actions, statements and attitudes since early 1974?  
Yours faithfully,  
J. T. Ogden.  
Bath House,  
Holborn Viaduct, E.C.1.

# An apt destination

From Mr. G. Cookson.  
Sir.—Mrs. E. M. Farquhar suggests an apt destination for the Government's "too little—too late" proposals for dealing with inflation.  
I recently produced a film of the road of old rubbish about the disposal of London's refuse, now augmented by some hundred tons of our Prime Minister's cry for help.  
Taxpayers living near Edmonton will at least be happy to know that the incineration of our refuse will increase the country's electricity supply—momentarily.  
Gerald Cookson.  
Madragat Film Holdings.  
38, King's Road, S.W.10.

**Civil Aviation Authority begins** two-day public hearing into applications by 12 domestic airlines for fare increases, London.

**Agricultural Wages Board meets,** London.

**Maximum price of butter** increases by 1p a half-pound and cheese by 3p a pound.

**EXHIBITIONS**

**Offshoots of Europe '75** Exhibition opens, Bridge of Don Show-ground, Aberdeen. Mr. William Ross, Secretary of State for Scotland, initiates its accompanying conference at Aberdeen

**Automatic Testing Exhibition** and Conference opens, Bloomsbury Centre Hotel, W.C.1.

**Dust Control and Air Cleaning** Exhibition opens, Olympia.

**Foodock International Exhibition** opens, Earl Court.

**Filtration and Separation Exhibition** opens, Olympia.

**COMPANY RESULTS**

**BICC** (half-year).

**Grindlays Holdings** (half-year).

**Stone-Platt Industries** (half-year).

**COMPANY MEETINGS**

**Ball and Collins** 23. Lower Street, W.1.

Managed by  
Bank of America NT&SA  
International Mexican Bank Limited—Intern  
Skandinaviska Enskilda Banken

**Co-Managed by**  
 Bank of America New York  
 Compagnie Financière de la Deutsche Bank A.G.  
 Financiera BANAMEX, S.A.  
 Marine Midland Bank—New York  
 Rabomerica International Bank N.V.

and Provided by

Bank of America NT&SA  
Bank of America New York  
The Bank of New York  
The Bank of Nova Scotia  
The Bank of Tokyo of California  
Banque Canadienne Nationale  
Banque Commerciale pour l'Europe du Nord (Eurobank)  
Banque Française du Commerce Extérieur  
Canadian Imperial Bank of Commerce  
Central National Bank of Cleveland — Nassau Branch  
Compagnie Financière de la Deutsche Bank A.G.  
Financiera BANAMEX, S.A.  
First Pennsylvania Overseas Development Company (Cayman) Ltd.  
International Mexican Bank Limited — Intermex  
Irving Trust Company  
Marine Midland Bank — New York  
Midland Bank Limited  
National Bank of North America — Nassau, Bahamas  
Rabomerica International Bank N.V.  
Rainier National Bank  
Skandinavian Bank Limited  
Skandinaviska Enskilda Banken  
Toronto Dominion Bank  
Yamaichi International (Nederland) N.V.

Agent  
**BANK OF AMERICA** WFSB

Benfield and Loxley, Oxford,  
11.30.  
Equity Control Investment Trust  
New Court, E.C. 4.  
Helical Bar, 106, Pall Mall, S.W.,  
12.  
Hollis Brothers and E.S.A.,  
Howard Hotel, W.C., 12.  
London and Gartmore, 2, St. Mary  
Axe, E.C., 3.  
Maybrook Properties, Cavendish  
Hotel, S.W., 11.30.  
Redifusion Holdings, Stratton  
House, W., 10.30.  
Sobranie, v. Connaught Rooms,  
W.C., 12.  
Widkinson Match, Inn on the  
Park, 12.30.







# Utd. Biscuits gets U.S. boost and passes £8m.

Following the May report that a first quarter had shown substantial improvement, United Biscuits (Holdings) now announces a sales growth of 9.10m. to £114.6m. and profits of £11.7m. to £12.1m. in the 28 weeks ended July 12, 1975.

And for the current period results should show a satisfactory improvement over the second half of last year when profits reached £9.4m. although they did not match the first half performance. The chairman, Mr. J. Laing, says: "Results have broken all previous records, even allowing for inflation effects, and a substantial part of this increase has come from sales in the U.S. market. While in the second half price reductions, volume is a constant and profitability will remain excellent."

The U.K. also showed significant improvement in conditions strong competition and declining volume in biscuits and cakes, avoided raw material prices do rise beyond present forecasts, K. results should be satisfactory, the chairman says.

Cash raised by the May rights issue and the sale of the U.S. subsidiary, Dutch Biscuits, together with a strong cash flow in trading, has strengthened considerably the group's financial position.

Earnings per 25p share for 1974 rose from 2.7p to 4.4p, and with Treasury 4.4p, the interim dividend is set from 1.15p to 1.41p on a higher capital, and a final of similar rate will be recommended (1.075p).

Seabair contributed £7.8m. to sales and £4.6m. to profits before interest; interest charges were £200,000. In 1974, its results are included on the basis of a per cent interest from January to April 24, and 100 per cent thereafter.

The group interest charges, £1.03m. (£0.65m.), a member of the group, has announced the launch of a new

continue in the Spanish subsidiary, which has been trading loss of £750,000 for the half year. He is hopeful that actions taken will begin to show through before the year-end, but it is an uphill struggle to get back to profitability.

Investment will be on a worldwide basis and the aim of the fund is capital growth. Shares are on offer until September 30 at 50p, giving an estimated gross yield of 4.67 per cent. The minimum investment is £275 (750 shares).

U.S. and Canada 1,250 1,250  
Europe 1,250 1,250  
Japan 1,250 1,250  
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Europe 1,250 1,250  
Japan 1,250 1,250

Statement Page 22  
See Lex

Seed crushers and edible oil refiners Chambers and Fergus has suffered a setback in the year ended June 23, 1975, with the profit after tax falling from £26,405 to £23,218.

The dividend is cut from 0.705p to 0.49p, with a final of 0.245p. Earnings are given as 0.27p against 0.25p.

Turnover was down £6,62m. at £145.5m. The directors point out that the new plant was six months late coming on stream and did not operate during the year. The considerable costs of this delay have been treated as an expense.

The edible oil business has met difficult market conditions and has traded unprofitably for six months.

Key Energy Fund  
Key Fund Managers, a member of the Keyser Ullmann group, has announced the launch of a new

RECENT ISSUES  
EQUITIES

FIXED INTEREST STOCKS

"RIGHTS" OFFERS

Renunciation date usually last day for dealing free of stamp duty. A placing of public shares based on full capital. A placing of public shares based on full capital. A placing of public shares based on full capital.

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## Anglo-Thai outlook

Present indications at the Anglo-Thai Corporation are that there could be a downturn in profitability during the early part of the current year, with some recovery towards the end and continuing into 1976-77, according to Mr. R. D. Guthrie, chairman, in his annual statement.

Ag. known, turnover was £74.7m. against £68.4m. for the year to March 31, 1975, and pre-tax profit increased from £3.44m. to £3.63m. Dividends are up from an adjusted 1.18632p to 1.2566p net.

The net impact of changes of year-end of certain subsidiaries and the sale of 51 per cent of Timuran Holdings Berhad, the newly-formed company into which the group's Malaysian interests were transferred, leaving 49 per cent in the accounts — was to increase the profit after tax by about £430,000.

In most areas the upsurge in purchasing power overseas continued for the greater part of the year. However, towards the end, inflation and its consequent impact on world trade began to take its toll on some operations, the chairman says.

The acquisition for cash of Government Motor Company, which holds Ford franchises in Lincolnshire, is "in accordance" with the company's policy of diversification.

The group is an "extremely strong liquid position and is well placed to make further acquisitions." Various possibilities are being explored, he adds.

Following a revaluation of certain properties in Singapore during the year, the directors believe the market value of group freehold and leasehold properties exceeds book value by £2.2m.

Estate House Investment Trust has notified the company that following a scheme of arrangement which became effective on July 21, 1975, it became interested in 9.2m. Ordinary and 67,900 Preference shares in Anglo-Thai.

The report itemises on extra-gratuity payment of £5,000 (nil) to former director, and an annuity purchase of £33,333 (£17,830) for an executive director.

A statement of source and application of funds shows a decrease in liquid funds of £1.64m. (£1.06m. increase).

MALLINSON DENNY  
William Mallinson and Denny Watt, which two months ago took over North Eastern Timber, has bought C. Hetherington (Timber) of Winton, Cumbria for 306,000

shares, which values Hetherington at about £98,000. Mallinson's newest acquisition is the latest in what is expected to be a series of purchases by the company which aim to strengthen both its geographical spread and product range.

Profit, before tax, of Crossley Building Products, which fell from £262,837 to £462,701 in the first half of 1975, is in line with the estimate made at the time of the July rights issue that the outcome would be 10 per cent in excess of last year's second half £409,365.

Stated earnings per 25p share for the first half are down from 5.56p to 4.25p, and, as forecast, the interim dividend is 1.753p net, against 1.722p. It was also forecast that the final would be 2p on the increased capital, making a 3.753p (£3.322p) total.

Group turnover was £6,000,000, profit £600,000, tax £200,000, and dividends £1,000,000.

Overseas boost expected at Newey  
Results from overseas are expected to show "substantial improvements," especially those of the new subsidiaries in Malaysia, state the directors of Newey Group, smallware manufacturers.

However, they warn in their interim statement that, while sales to the U.S. have increased by 50 per cent, on the same period last year, with the deepening depression and further unemployment, the immediate future in the U.S. seems uncertain.

As reported on September 11 pre-tax profit fell from £414,900 to £310,000 in the first half of 1975, after providing £135,000 for losses on newly formed and acquired subsidiaries. The directors are waiting for the year-end before considering dividend payment.

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H. J. Baldwin, part of the Horthley Bald group, has disposed of its electric heating element

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The year's tax charge was £364,373 (£308,183), leaving the net balance at £318,557 (£267,189).

Following the rights issue in May, investment plans for 1975 and 1976 have been reviewed. The rate of expansion for both car and diesel engine manufacture has been increased and decisions have been taken to expand factory areas and quicken machine tool modernisation programme. The Board believes that with these new expansion plans, the company will be well placed to take advantage of any improvement in economic conditions with particular regard to exports.

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Attributable 1,230 664 2,234  
Interim dividend 850 540 1,530  
Retained 80 114 976

See Lex

## R-R Motors Holdings midway progress

FOR THE 24 weeks ended June 14, 1975, profits of Rolls-Royce Motor Holdings, have risen £438,000 to £2,160,000, and indications are that the full year could better the £4,850,000 achieved in 1974.

A matter of continuing concern, says chairman Mr. I. J. Fraser, is the high rate of U.K. cost inflation compared with that experienced in key overseas markets.

Exports now account for 60 per cent of car output, with deliveries to North America at record levels. The export performance has reduced the proportion of cars available for the home market, where trade remains satisfactory.

The demand for Eagle automotive engines has dropped because of a general falling off in the heavy truck market, but an increasing number of industrial engines is being produced and overall the diesel engine side is ahead of last year.

For the 24 weeks, earnings are shown at 2.97p (2.54p) basic and 2.74p fully diluted. On capital increased by the one-for-seven rights issue, the interim dividend is again 1.3p net. Total for 1974 was 3.5p from earnings of 6.81p.

The tax position is still unclear. But the U.S. provision, including deferred, has been estimated on the assumption that accumulated losses of Rolls-Royce Ltd. (in voluntary liquidation) will not be available to be carried forward.

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## Singer to sell German mail order house

**TOKYO, Sept. 15.**

# house

By Nicholas Colchester

BOONN, Sept. 15.

OTTO AG, the major shareholder of the important Versado (Hamburg) order business, is to buy 94.5 per cent. of another large German mail order house, Schwab AG, from the troubled Singer Company of New York. The deal is to go through at the beginning of 1976.

Dr. Otto Drenow had sales last year of 1.2 billion marks, right across West Germany, and says that it made profits in 1974 of the "same order" as the DM58m after tax that it returned in 1973. Schwab also sells goods nationwide with sales last year of DM100m, but made a considerable loss in 1974, and stands to make another one in 1975.

In announcing the takeover, Otto today stated that it would maintain Schwab as an independent company, but would be free to coordinate its co-ordinate the opera-

NEW DELHI. Sept. 15

able loss in 1974, and stands to make another one in 1975.

In announcing the takeover, Otto-to-day stated that it would maintain Schwab as an independent company, but that it would attempt to co-ordinate the operations of the two mail order companies which will be under its control. Both companies are still studying the scope for such co-ordination—Otto mentioned the joint use of "technical installations," and joint purchasing as two possibilities.

Otto Versand is owed as much as 50 per cent. by the holding company of the Otto family, 25 per cent. by the Westdeutsche Allgemeine Zeitung, an Essen news paper, 15 per cent. by the Gesellschaft für Handelsbeteiligungen (connected with General Shopping of Luxembourg) and 10 per cent. by other shareholders. Since the Company of New York is most famous for its sewing machines, but has diversified in to a wide number of fields; it is now being forced to disperse with some of them because of a cash shortage.

No cash value for to-day's dearest was announced.

**ENHER \$25m.**

**Loan details**

**SYDNEY, Sept. 15**

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## ENHER \$25m.

### loan details

FRANKFURT Sept. 15

In Catalunya, has now been confirmed. Syndication is nearly complete.

The issue is on the same pattern as previous deals for ESCOM and ISCOR: a long term floating rate note with the option to redeem at a steadily narrowing discount from par after a medium term maturity.

In this particular case, the issue is being sold at 98½ per cent with a spread of 1½ per cent for a final maturity of fifteen years. Lenders have the option to redeem after four years at 98½ per cent. At the end of the fifth year they can claim repayment at 98½ per cent., and so on.

Lead manager of the loan is Hill Samuel. The proceeds will go towards the borrowing capital expenditure programme in Spain.

**FRANKFURT, Sept. 15.**

**MINIO S.A.**

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**FINANCIAL TIMES REPORTER**

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### MID-DAY INDICATIONS

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Bank of London & So  
Barclays Bank Inte  
Canadian Imperial B  
Crédit Commer  
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Agent  
Lloyds Bank Inter

**ENDASA**

**EMPRESA NACIONAL DEL ALUMINIO S.A.**

**US \$20.000.000**

### 3-year loan

arranged by

**LLOYDS BANK INTERNATIONAL LIMITED**

## BANCO DE BILBAO

**BARCLAYS BANK  
INTERNATIONAL LIMITED**

**CREDIT COMMERCIAL DE FRANCE**

and provided by

Banco de Bilbao  
 Bank of London & South America Limited  
 Barclays Bank International Limited  
 Canadian Imperial Bank of Commerce  
 Crédit Commercial de France  
 Midland Bank Limited  
 The Royal Bank of Canada (France) S.A.  
 The Royal Bank of Scotland Limited

## Agent Banks

**Lloyds Bank International Limited**







## FINANCIAL TIMES SURVEY

Tuesday September 16 1975

هكنا من الفصل

## PAPUA NEW GUINEA

As Papua New Guinea achieves independence to-day, there are still some serious problems to be solved, particularly that of the attempted breakaway of Bougainville. But the country is well prepared for its new status and current policies have a fair chance of succeeding

PAPUA NEW GUINEA to-day as a republic, though within the Commonwealth, and the choice of constitutional monarchy was entirely that of the constitution-makers. The making of the constitution has itself not conformed to recent Commonwealth precedents. In the past 25 years Britain has tended to hand down constitutions, but Australia decided to let the Papua New Guineans make their own, much as Australians themselves had done at the turn of the century.

The new State also scores firsts. Mr. Tom Critchley, who to-day leaves Government to take up a post in the Australian High Commission in Waigani, came as High Commissioner (not like his predecessors as administrator) 16 months ago. In his view there has never been a more independent dependency than Papua New Guinea in the past year, which, among other things, it assumed responsibility for its foreign relations and defence.

A less welcome distinction is that Papua New Guinea is the only country in the world to have been born as a nation. The very month of its birth was the month of the Vietnam war, and the very month of its birth was the month of the Vietnam war, and the very month of its birth was the month of the Vietnam war.

When it was announced that Queen Elizabeth II would be Head of State, there were protests in Port Moresby. How could it be a decision, and which for a time did not seem to be a decision, and which for a time did not seem to be a decision, and which for a time did not seem to be a decision.

Australian policy of early independence, failed to gain an overall majority at the elections and has formed the parliamentary opposition ever since. Mr. Somare's Pangu Party, on the other hand, campaigned vigorously on an independence platform and has headed a coalition embracing some of the most radical elements in the country's political life.

However, the driving force of

This can be said to have cleared the air. In a sense that is so. However, it is unfortunately also true that the polarisation which occurred in the long and often acrimonious constitutional wrangle is the opposite of what must have been intended when the proceedings were inaugurated. Making of the constitution has revealed divisions in place of cementing national unity.

legislation. The distinction is that the constitution cannot be changed except by a two-thirds majority of all members of the House of Assembly. The ultimate decision does seem to have been a victory for good sense and economy: the cost of maintaining the apparatus of regional government being all but beyond the country's means. However,

None of this may seem to suggest a deep, popular or ideological issue. However, (and apart from the Bougainville question, which is discussed elsewhere in this survey), the fact remains there are important regional loyalties in a country of 700 languages and limited communications. Centralism will operate under a strain for the foreseeable future. Moreover, the few Leftists, anarchists and

habitants, out of the total population of 2.7m. Here the nationalists were routed, to the extent that all mixed race inhabitants and all others who have lived in Papua New Guinea for eight years are eligible (they have two months to renounce foreign citizenship).

There are no doubt overtones of racialism, mainly resentment at the Australian and Chinese minorities, which are not completely removed by the ultimate result. However, this could give the wrong impression. The foreign visitor to Papua New Guinea is immediately struck by the lack of starchiness in the reception accorded him at all levels of community life. The modern sector (so-called by government) is notably free of the hang-ups of many other ex-colonial societies, which is no doubt a tribute to the Australians who shaped it.

## BASIC STATISTICS

Area	600 islands
Population	179,600 sq. miles
Languages	2.7m.
English, Pidgin, Motu	
GDP (1972-74)	K1bn.
Government budget (1974-75)	K325m.
Trade	
Imports (1974-75)	K463m.
Exports (1974-75)	K428m.
Imports from U.K.	£3.1m.
Exports to U.K.	£19.3m.
Currency: Kina	£1=K1.65 (equivalent to \$A)

## Rise to nationhood

This Survey was written by PETER DUMINY

radicalism in such situations is invariably nationalism. And in Papua New Guinea nationalism has been the driving force for the past three years continuously had the wind taken out of their sails by an Australian Government determined to rush their country to Statehood at the first opportunity.

But for the fact that the Papua New Guineans dug their heels in—indeed had yet to settle their constitution—the independence celebrations would have taken place last December 1.

Eventually it was the constitutional debate, finally wound up only on August 20, that separated the radicals from those whom they would call the neo-colonialists, and it was firmly among the latter that Mr. Somare was to be found.

This does not seem to make it the ideal foundation for independence, though it may be hard to suggest a better one. It is worth noting the divisive issues, since the last is unlikely to have been heard of them.

Probably the biggest has been the question of decentralisation of power through creation of provincial governments and assemblies. The constituent assembly almost decided to entrench about 20 such regional authorities in the constitution, but finally dropped the idea on Mr. Somare's initiative. This means, for example, that while provincial administrations can still be set up (and the one that has been established on Bougainville can remain in existence), they can also be abolished by a simple majority in Parliament, like any ordinary

economics was not the basis of the argument on either side. The main champion of decentralisation was Father John Momis, of Bougainville, a member of the House of Assembly and leading light in the constitution-making. No doubt he wanted it for the sake of Bougainville and in general because of honest convictions about inherent evils of power (everyone, including political enemies, acknowledges Father Momis to be a man of saintly morality). No doubt Mr. Somare rejected it in the heat of the argument with Bougainville, when it seemed the island's demands had escalated beyond local implications as yet unforeseen. The other battle which was not easily resolved concerned citizenship rights of the approximately 40,000 non-indigenous in-

other ideological critics of Mr. Somare's style of government, together with a somewhat larger number of opportunists, have been eager advocates of splintered authority. Dissatisfaction with the constitution-making. It is ironic that having failed on provincial governments, the anti-authoritarians have succeeded in putting other curbs on the central executive which may in the course of time prove even more effective. For instance, the constitution has provision for watchdog committees which appear to be vested with power to frustrate government and may therefore be a permanent thorn in its side, with had escalated beyond local implications as yet unforeseen. The other battle which was not easily resolved concerned citizenship rights of the approximately 40,000 non-indigenous in-

## Dedicated

There are many criticisms of past Australian officials, involving unfavourable comparison with the sometimes brilliant and dedicated officers of Britain's Colonial Service. Maybe this was merely because Australians had no dreams of Empire and work of Empire was not a fashionable career choice at any time in the past 70 years.

Probably as a result, the traditional land rights, but in Australians have bequeathed to part has also been deliberate the modern sector several attributes that are obviously better suited to the conditions at home from Konedobu near the sea, (perhaps the most glaring, be- to Waigani inland). Some part of the relaxed

citizen, being that it is as impossible, as in Canberra, to manage without a motor car in Port Moresby—the difference being, of course, that 95 per cent of Papua New Guineans may not be able to afford a car for the next 100 years). Car ownership is in danger of becoming the great dividing line between the haves and have-nots, which is not at all the situation in most of Asia, in which cars are for the most part luxuries it is entirely possible to do without. The transport problem (lack of buses and taxis) is greatly aggravated by Port Moresby's extensive sprawl. This partly reflects healthy respect for the traditional land rights, but in Australians have bequeathed to part has also been deliberate the modern sector several attributes that are obviously better suited to the conditions at home from Konedobu near the sea, (perhaps the most glaring, be- to Waigani inland). Some part of the relaxed

CONTINUED ON NEXT PAGE

## BUILDING PAPUA NEW GUINEA TO NATIONHOOD

By the Prime Minister, The Hon. Michael Somare

By good fortune I have travelled to many countries. I have seen teeming cities, massive factories, and the most impressive technological advances. Because of the location of governments, hotels, and airports, often I have tended to see the industrial hearts of nations; I have found these places exciting and full of opportunity, but also I have noticed that they are beset with a mass of problems unknown to Papua New Guinea.

These problems have helped me to envisage the type of society I would like to see built in Papua New Guinea, and which I worked towards whilst I was Chief Minister. I start with the premise that, for the foreseeable future, Papua New Guinea should remain what it is now, primarily a rural country. About nine out of every ten people live in villages, and there is no landless class in Papua New Guinea. I think the village should remain the most important community unit.

This does not mean keeping the village as it is, or re-establishing village life as it was before the coming of the white man. We must change village life for the better, so as to offer opportunity and contentment to every villager. Of course, whether or not a particular change will be seen as an improvement depends on village and individual values, and what one person may see as improvement another may consider disruption. But Papua New Guineans are pragmatic, and a thing will be regarded as an improvement, firstly if it has a practical use, and secondly if it supports or strengthens the village community.

If a tool or a commodity or a service has a clear practical use in assisting the villager's relationship with the environment then it will quickly become an integral part of village life. I would point to such things as the steel axe (a great labour saving device when compared to the stone axe), the aluminium saucepan, cups and plates, the bush knife, the kerosene lantern, the outboard motor in river districts or coastal areas, tinned fish, and aidpost services. Most of these things are substitute tools to perform everyday village tasks, and their utility lies in the time and labour they save. But also by doing this they add to the contentment of village life, and so may preserve or strengthen the village community. We may judge useful any tool, commodity or service which performs similar functions in these changing times.

My Government has already adopted a working model designed to guide Papua New Guineans life towards our objectives. This is the Eight Point Improvement Plan.

- (1) A rapid increase in the proportion of the economy under the control of Papua New Guinea individuals and groups, and in the proportion of personal and property income that goes to Papua New Guineans;
- (2) More equal distribution of economic benefits, including movement toward equalisa-

tion of incomes among people and toward equalisation of services among different areas of the country;

- (3) Decentralisation of economic activity, planning, and government spending, with emphasis on agricultural development, village industry, better internal trade, and more spending channelled through local and area bodies;
- (4) An emphasis on small-scale artisan, service and business activity, relying where possible on typically Papua New Guinean forms of organisation;
- (5) A more self-reliant economy, less dependent for its needs on imported goods and services and better able to meet the needs of its people through local production;
- (6) An increasing capacity for meeting government spending needs from locally raised revenue;
- (7) A rapid increase in the active and equal participation of women in all types of economic and social activity; and
- (8) Government control and involvement in those sectors of the economy where control is necessary to assure the desired kind of development.

The important principles behind this plan are equality, self-reliance and rural development. We are now considering the detailed application of these principles to matters such as health, education, the village economy, transport, local government, and so on, but clearly our programme will be expensive. We will have to improve our internal tax base, increase our credit worthiness for international loans, I hope continue to receive substantial aid from Australia, and attract aid from elsewhere. Australia's recent announcement that she will give at least \$500 million in economic and social aid over the next three years is a tremendous boost to our capacity to make significant progress in village improvement.

At the same time Papua New Guinea sees a need for foreign investment, and although we have a selective foreign investment policy, we want to create conditions which will interest overseas investors in those areas in which their participation would be welcomed. Such investment would naturally benefit both the investors and the country.

Yet I am less worried about funds that I am about the necessary skilled personnel. It is useless having money to build aerial ropeways and the like if there are not enough civil engineers to supervise their construction. Overseas press have in the past uttered dire predictions of calamity in Papua New Guinea, and these are puzzling to people in my country. Perhaps such opinions arise from the feeling of novelty and uncertainty brought on by the change to self government; perhaps they come from the recollection of past events in parts of Africa. I do not think they follow from any

realistic appraisal of Papua New Guinea's actual situation, but whatever the motives of these prophets of doom, my government must try to counter their influence, because we need skilled expatriates, and we want to ensure that those who come enjoy their stay.

Not everything I have mentioned lies in the hopes of the future. Already there has been considerable progress. The proportion of the national income going to Papua New Guineans has increased substantially. More and more expatriate businessmen see the wisdom and the benefit of taking in local equity. More and more of our people and our friends turn to consider the problems of village development. Of course in many cases our decision has been to protect local business: for example, the House of Assembly a year ago passed legislation that restricts coffee buying to Papua New Guineans. This trend of progressively reserving areas of the economy for ourselves will continue.

As well, this year a bigger proportion of the National Income has been allocated to The Rural Improvement Programme. This covers a whole range of village projects, from roads and bridges to aidposts, water wells, and piggeries. The projects are put forward by Local Government Councils in each area, and then become a combined effort—the village people offering free or nominal wage labour, the council using some of its tax money, and the central Government assisting with a subsidy. It is fair to say that almost all demands for feasible projects have been met.

## OUR ATTITUDE TO TWO BROAD AREAS OF POTENTIAL INVESTMENT: NATURAL RESOURCES, AND SECONDARY INDUSTRY

Papua New Guinea is rich in natural resources. We have large deposits of valuable minerals, millions of super feet of commercial timber, potentially valuable oil and gas reserves while rich fishing grounds surround our island. These valuable resources provide the basis for many of our development plans. We will make sure that our resources are exploited in a way that contributes to our own goals and needs.

Our most important basic principle is that these resources belong to the people of Papua New Guinea. It is up to our people, through their government, to choose how and when these resources are to be developed. In some of these industries we already have many Papua New Guineans who can do the work required, but we still need foreign corporations to supply the capital and overall management and marketing knowledge. In other industries, such as mining, oil and gas production, we have few trained people, and we may choose that foreign companies should assist while training our citizens. But we will keep control of the way in which our resources are developed. We also intend to be sure that resource development does not create a small privileged class of Papua New Guineans.

We want the benefits to go to the mass of the people. For this reason, there will be increasing emphasis on taxation of resource projects so that the benefits can be redistributed to the people through Government projects. There will also be increasing emphasis on Government ownership of resource ventures, in partnership with foreign corporations.

I believe we must also ensure that, whenever conditions beyond the control of either the Government or the resource company result in spectacular windfall profits, the lion's share of these profits will be kept within Papua New Guinea. I recognise that foreign companies often take risks in resource development projects, and it is not intended to remove all possibility of profit. But I do believe that foreign companies should be satisfied with a reasonable return on their investments, and should not claim absolute right to gigantic profits that are really produced by the earth and water of Papua New Guinea.

In the field of secondary industry, we want investors who will help us to step up those industries we need to achieve our development aims. For example, we will be seeking manufacturing industries that will process our agricultural products, so that a greater share of their final value can be retained inside Papua New Guinea. We are anxious to become more self-reliant by producing the things we need in our own country. I would, however, point out that there are limits in our desire to attract manufacturing industry, and that we will be looking carefully at the costs and benefits of any proposals. We do not want to create industrial employment for its own sake. My Government has adopted a general policy of incomes stability, but we do not want a reduction in the real standard of living of people in the towns. Similarly, our national eight-point improvement plan calls for a greater equality of incomes, and greater equality of services between the urban and rural areas. We cannot take away from people what they already have. These facts of life, and these policies, do not mean that we are shutting the door on export-oriented, labour-intensive industries. We will welcome any proposals that are realistic to our circumstances. But they do mean that we cannot pursue the kind of development strategy based on very cheap labour along south-east Asian lines which has often been urged upon us.

## PAPUA NEW GUINEAN PRIDE

As I see it most people in Papua New Guinea work hard, live decently, and are proud of our traditions and our way of life. We are ordinary people trying to preserve what is best in our way of life and attempting to solve our own problems. At the same time we have to deal with pressures from the outside world to change our values and traditions. We will absorb these pressures by working out our own solutions to our problems. Government Building, Waigani, P.N.G.



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# Political reshuffle

PAPUA NEW GUINEAN considered an unpredictable life in Papua New Guinea. The opposition United Party had a solid 44 seats after the 1972 elections, in which it campaigned against early independence. Splits in the parliamentary party have since reduced its representation to 33 and 24 (which still leaves it the biggest group in the House of Assembly), led by Mr. Michael Somare, a conservative but effective politician who got the job after the death of Mr. Matthias To Liman.

Mr. Abal's problems have appeared to relate less to personalities and broad policies than to the weakness of party organisation in Papua New Guinea, which becomes particularly evident when a party is in opposition and the leaders have no patronage to bestow. The biggest breakaway group is the Country Party, led by Mr. Sinake Giregire, which has 11 members in the House.

More recently another group of eight or nine members has shown signs of hiving off, some of its members belonging to the Nationalist Pressure Group (NPG) founded by Father John Momis of Bougainville to serve as a watchdog over a Government accused of being prepared to sell the nation's birthright. The NPG claims that it is open to patriots of all parties.

So much for the situation in Parliament. Outside, and much more widely publicised in the world, there have been secession moves in various parts of the country, including Papua and Bougainville. Of these, only one amounts to anything at present, that being the unilateral declaration of independence by Bougainville and Bougainville (now calling themselves the North Solomons) on September 1.

The implications of all this on national politics cannot be foretold with any certainty. Some people say it would be logical for Mr. Somare and Mr. Abal to join forces before the next elections, and that, with or without the support of Mr. Chan, they would command a large parliamentary majority in the next House. In that event the existing pattern of development would be cemented. Bougainville's independence would not be acknowledged, but neither would Government hesitate to contribute to the development and is generally mobilised for civil war so that

the third main force in the coalition is the National Party, based in the Highlands, which has not made a notably distinguished contribution to the country's economic development.

overrun and is generally mobilised for civil war so that

would go on much as it is now. There are various alternatives to this scenario. It is clear that a Somare-Abal coalition would virtually complete the process of polarisation that has taken place in the constitutional tug-of-war over provincial governments and other matters. One view is that radicals who are now disorganised and at sea could become a powerful force if the ground was thus vacated for them on the opposition side. They might even win the next elections, which could mean Mr. Giregire or Mr. Kaputin as

Prime Minister and a disagreeable time for foreign investors. But this still seems a very long shot, if only because the radicals (or nationalists) do not have a credible leader in sight, and will meanwhile sorely miss Father Momis, who has presumably withdrawn himself to Bougainville (and even though friends and foes all say he is too honest to be a good politician).

Another possibility is that Government will exhaust its energies over Bougainville, dispersing its limited resources of manpower and creating some kind of political vacuum over the country as a whole. On this view it might even be better to cut ties with Bougainville without further ado.

However that would, politically speaking, open up an even bleaker prospect. A successful secession by so important a segment of Papua New Guinea's economy would inevitably be demoralising at least, and worst would set up a chain reaction of breakaway attempts in such places as Manus Island, New Britain and even on the "mainland," with its rich variety of cultures and languages.

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The appointment of veteran Papuan politician Sir John Guise as first Governor-General is a gesture to the Papuans. Mr. Somare comes from Wewak on the north coast (New Guinea).

On balance there may be yielding nothing has been Australia's and the UN's. From to-day the sovereignty threat is Papua New Guinea's but the strategy will be the same. It therefore appears the ball is in the secessionists' court. Their immediate need is likely to be money, which in all probability they will seek to levy (or borrow) from the mine. The company, through its manager in Port Moresby (Colonel Ken McKenzie), has said it would be impossible to bankroll the separatists since the company's obligations are all to the Government in Port Moresby (however the interim provincial government did get a company donation which was to have been used for to-day's national independence celebrations—obviously it will not be needed for that).

Dr. Sarei was reported to have said on September 1 that the mine would be invited to renegotiate its contracts on more favourable terms, with the Government. Even without this offer, the mine management would like to remain on good terms with Dr. Sarei. But presumably it cannot run the risk of antagonising Port Moresby, Canberra and probably several other governments by failing to honour its existing commitments in full.

The most likely scenario is that it will regretfully decline to have formal dealings with an administration that does not have international recognition. This appears to be Dr. Sarei's position, despite trips that he, Father Momis, Mr. Hannett and others have made to other countries in the past six weeks. On that reading, the secessionists have the option to do little or nothing for some time, but eventually they will either tacitly drop their claims or else be forced to take more direct action, such as closing the airport or even the mine. Everyone agrees that they can do either of these things very easily, and though of course they would have to consider the repercussions, it is still

While many of the employees are sympathetic to local aspirations, the fact remains that a lot of people will be hungry and dissatisfied and possibly without shelter if mining operations were to be interrupted for any length of time. Should this produce a breakdown of law and order, there will be nobody to restore it but the central Government's police in the first instance, and its army in the second.

The police quelled a nasty riot at the mine in May. Nobody likes to think of the possibility but the question is whether Port Moresby is capable of dealing with the more difficult situations that could arise there in the future? Or will it abdicate responsibility, that is, unceremoniously cave in?

In all probability the answer is the former.

Important

The point is not merely that Mr. Somare has a lot to hang on for, though this is obviously important. In fact, Papua New Guinea packs a not insignificant punch in its twin establishments of 4,500 police and 3,500 soldiers. Its navy possesses 3,200-ton landing craft (LSTs) which could relatively quickly ferry reinforcements the approximately 750 miles (by sea) from Port Moresby.

In practice, no doubt, it is difficult to conceive of military intervention in Bougainville being staged without Australian support. Clearly the Government's supply lines are all in that direction, in addition to which it would almost certainly want to use Australian helicopters (having none of its own) which could be usefully operational from Rabaul.

There is a point of view that says Australia will not allow a full-scale civil war to develop on Bougainville. According to this, at some stage Canberra will turn around and tell Port Moresby it is being too self-reliant in seeking to enforce its rights (strange as that will sound to Papua New Guineans who are always being told they are not self-reliant enough).

This is one of the possible outcomes. Almost necessarily implied is that Bougainville would then emerge with some special status, while Australia would in some way compensate Papua New Guinea for financial losses, present and future.

However, this is not an ideal solution, nor one that would appeal to either Canberra or Port Moresby, because it would only increase Papua New Guinea's economic dependence on Australia. Therefore it will not be adopted in a hurry.

## Secessionist threat

BOUGAINVILLE'S attempt to drop out of Papua New Guinea with effect from September 1 has so far not changed anything very much. It was a bloodless coup as its organisers intended, but it does not seem to have achieved any of their other objectives, aside from a certain amount of swapping of flags.

The actual situation is a difficult one for outsiders to comprehend. In Port Moresby two of Bougainville's elected representatives to the Papua New Guinea House of Assembly will attend to-day's independence celebrations as members of the national cabinet. They are Sir Paul Lapun (mines and energy) and Mr. Donald Mola (health).

Also present will be Papua New Guinea's commissioner of police, Mr. Pius Kerepia, another Bougainvillean. Meanwhile in Bougainville the mine which pays taxes and dividends to Port Moresby is functioning normally. Port Moresby's police (locally not commanded by Bougainvilleans) are continuing to maintain law and order in every respect other than arresting or restraining the secessionist leaders. Air Niugini's daily flight from Port Moresby to Kreta and back again continues to operate.

Bougainville (and nearby Buka) have been politically joined to New Guinea since November 8, 1989, when Germany got the nod from Britain to include them in its colony of German New Guinea. However, the Bougainvilleans, of whom there are now about 100,000, have remained ethnically part of the Solomon Islands, and many still refer disparagingly to their fellow citizens in Papua New Guinea as "Redskins." (Most Bougainvilleans are jet black.)

It is generally conceded that the majority of Bougainvilleans do not wish to be part of Papua New Guinea to-day. This is a gut feeling on the island. But, and it is a big but, the strength of this feeling is not known, and does not necessarily emerge from the plentiful sayings of the fiery Jesuits who are the acknowledged (though non-elected) community leaders.

Dr. Alexis Sarei, Mr. Leo Hannett and Father John Momis have rejected union on moral and financial grounds, with a good deal of criticism thrown in against Port Moresby for being "deceitful, underhanded" and generally inept.

Until as recently as June it appeared that the leaders were willing to settle for constitutional and financial compromise, arrangements for which were well advanced, even though by then Bougainville's interim provincial assembly (self-appointed) had voted overwhelmingly for secession (without fixing a date).

Father Momis had been tired as vice-chairman of the Constitutional Planning Committee, which had among other things worked out a formula for

constitutional entrenchment of provincial governments (a law which would give Bougainville a provincial government was already enacted). He had incidentally become a national figure.

The accepted plan in principle governed the provincial formula, though it had angered Father Momis and other members of the committee by rejecting some recommendations relating to constitutional checks on the central executive (in fact too many of these to ensure good government may still have got into the final constitution, but that is another story).

Royalties

Meanwhile a blazing row was in progress over financial matters. Last year the Government voted K3.7m. for Bougainville public works, considerably more than in 1973-74 (K1.36m.) and well above the national average. The province has a land area of 930,000ha, less than 2 per cent of the country, for which the capital works budget (including Bougainville's allocation) was K36.2m. in 1974-75, that is, Bougainville got more than 10 per cent.

More recently the national Parliament awarded Bougainville, as of right, the royalties paid by Bougainville Copper, which last year amounted to K3.5m. (and will vary with world copper prices). However the Bougainvilleans were incensed to discover that Port

ville leaders any time they feel

## MESSAGE FROM THE MINISTER FOR FINANCE



Independence, which occurs only once in a nation's history, is a time for pride but also a time for looking ahead and taking careful stock of future prospects.

We in Papua New Guinea are aware that our economic future depends largely on the intelligent development of our natural resources. At present we are a poor country, and we are emerging as a separate nation at a point when our budget still depends to a considerable extent on outside support.

At the same time we possess a great deal of potential wealth which has hardly begun to be tapped. I refer to such rich natural assets as our forests, our fishing grounds, our mineral deposits, and our abundant sources of cheap hydro-electric power.

Sensibly planned and executed, the development of this potential can enable us to reduce progressively our reliance on external aid. It can provide us with the strong and expanding base of government revenue and export earnings which we need to achieve the aims we have set before ourselves in the Eight Point Improvement Plan.

Our main task in the field of long range economic policy, therefore, is to ensure that Papua New Guinea's resources are developed in such a way as to make the maximum contribution to our national improvement aims.

**Natural resources**  
In framing its policies towards this objective, the Government starts from the position that natural resources belong to the nation and that their development must yield the greatest possible benefit for the people. Otherwise we would see little justification for exploiting them.

At the same time we are well aware that in order to develop our resource potential at all we need outside capital, skills and markets. The resources are ours, but we lack the wherewithal to turn them into real wealth.

We know that the foreign investors who can provide us with these things require to be confident of obtaining a reasonable return on their outlays before they will agree to become our partners.

This means that, in our discussions with potential foreign partners on the development of major resource projects, we regard it as essential that the terms of access to those resources should satisfy two requirements. They must give the investor adequate assurance of the reasonable return he seeks, and they must ensure that an adequate proportion of any benefits over and above that reasonable return should flow to the people of Papua New Guinea through the Government.

We believe that this approach, focusing specifically on rates of return, is the best way of reaching agreement on financial and tax regimes which will allow the separate interests of Papua New Guinea and its outside partners to be reconciled to the advantage of both sides.

**Growth potential**  
Under such policies, realistically pursued, I am confident that our economic base can grow very substantially. But the development of major new projects takes several years, and in the meanwhile

we will be taking great care to create and preserve a sound financial environment, without which our longer term policies are unlikely to succeed.

The next few years will therefore be years of restraint. In particular our fiscal and wage policies will be designed in such a way that we live within our means.

Fortunately, we can look forward to a continuation of financial aid from Australia on a substantial scale until we are able to expand our own revenues. The Australian Prime Minister has assured us that Papua New Guinea will have first call on an expanding Australian foreign aid programme until the end of the century. Other Australian political leaders have made it clear that this is a bi-partisan policy.

With that assurance, and with the very large increase in our revenues which we have been able to secure over the past three years, I am sure that we will be able to provide the necessary government services and development funds on an adequate scale, and at the same time live within our means. As Minister for Finance I am determined that we will do just that.

**The Kina**  
I must mention our new currency, the Kina, which was introduced in April this year. At present it is circulating side by side with the Australian dollar and its value is therefore pegged to that of Australia's currency. But at the end of this year Papua New Guinea will be a separate monetary area and will have full power to pursue its own currency policies.

I made clear at the time the Kina was introduced our intention to ensure that it will be a hard currency which will at least preserve its value in terms of major world currencies.

I am convinced that adherence to the responsible fiscal and other economic policies required to sustain a stable currency is the course which will best serve our own interests, as well as those of our commercial partners. I see no merit in the alternative course of devaluation and consequent inflation, which would require self-defeating attempts to enforce rigid exchange control.

**National unity**  
Finally, the Government is fully aware that if we are to realise our hopes for the future the requirements are national unity and political stability.

Papua New Guinea is a very young country made of hundreds of small communities who will be seeking to preserve their own identity. Inevitably there will be divisive forces at work, as there have been in the past, and these will no doubt attract a full measure of outside publicity.

The Government seeks to encourage local initiative, and it is reluctant to lay too heavy a hand on minor regional divergences. Its tolerant, low-keyed approach has already done much to defuse separatist emotions. But its over-riding commitment is to national unity, and in the last analysis it will be obliged to do whatever is necessary to preserve that unity.

JULIUS CHAN C.B.E. M.H.A.  
Minister for Finance  
Government Building, Waigani, P.N.G.



## PAPUA NEW GUINEA IV

Looking at  
Papua  
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## Bougainville copper

THE EXISTENCE of a large copper mine at Panguna, Bougainville, is not the only reason why the leaders of Bougainville want the island to secede from Papua New Guinea (some others have already been canvassed). Nor is copper the only reason why the national government in Port Moresby wants Bougainville to stay in.

However, there is no gainsaying that Bougainville Copper (BCL) significantly colours attitudes on both sides, and that, no matter how hard the mine's owners and managers try to make themselves invisible, they are unavoidably playing a role in the resolution of the conflict.

BCL cannot but loom large. The mine was destined to be big from the moment the Bougainville orebody, a 100-ton basin of porphyry copper stretching over 268 hectares and 300 metres deep, was discovered by geologists of the Comrade Rio-Tinto of Australia group in 1964.

From financial and technical points of view, the main challenge was the relatively low grade of the ore, averaging 0.48 per cent. copper. This called for a large-scale operation, and thus massive capital outlay.

These were forthcoming. When commercial production began in April, 1972, the mine was equipped to handle 80,000

tons of ore a day. Total capital requirements, including K145m. spent on infrastructure, had been K400m., much the largest injection of capital ever experienced by Papua New Guinea.

In the three years from July, 1972 to June 30, 1975, recorded exports from the mine were valued at K874m., 58 per cent. of all foreign trade earnings. From the exchequer's point of view, the mine's direct contribution last year was equivalent to 31 per cent. of the Papua New Guinea Budget.

Whatever the future holds, to date BCL has more than lived up to its promoters' expectations. The construction phase, which included the building of crushing mills, a concentrator, a 26 km pipeline and port handling facilities, was completed in 33 months, ahead of schedule. In the next 33 months (to end-1974), the company excavated 158m. tons of earth and rock, milled 81m. tons of ore and produced 491,000 tons of copper (which was shipped in the form of 1.7m. tons of concentrate).

While 1972 was a bad time for copper on world markets, the next two years were exceptionally good, giving aggregate pre-tax profits of K366m. and allowing BCL to pay K165m. in dividends in the first three years. This was vastly more than

shareholders had been led to expect when they subscribed equity of K134m., and more than management itself had banked on when it negotiated long-term loans exceeding K275m. (the balance reflected in the books prior to the Australian/Papua New Guinea revaluation in December 1973). This has been reflected in the fact that BCL was soon able to anticipate repayment dates.

## Fruition

The backers thus rewarded were in the first instance the entrepreneurs who had brought the project to fruition, meaning Rio-Tinto-Zinc, which owns 81 per cent. of CRA which in turn holds 53.6 per cent. of BCL.

Apart from the individual entitlement, CRA to all intents and purposes has the management contract, no doubt valuable. Until recently, administration was divided between Panguna and Melbourne, but now all head office functions are being transferred to Bougainville, with only the chairman, Mr. F. F. Espic, remaining in Australia.

Next largest beneficiary was the Papua New Guinea administration, initially under agreements negotiated prior to self-government (in 1967).

These gave the company a tax holiday until April, 1975, but on the credit side the Government had been permitted to subscribe 20 per cent. of the capital (if the cap of the new government paid for its shares in full), on which it drew dividends of K33m. from the first 33 months of operations. It was also entitled to royalties at the rate of 1.25 per cent. on sales (net of transport and some other costs), thus K7.8m. from K625m. in this period.

However, one consequence of BCL's flying start was that the Papua New Guinea Government, by then in full control of its domestic affairs, decided the original tax terms had been too generous and invited the company to renegotiate.

In the circumstances there was, indeed, not much case for refusing. The result, which was formally approved by BCL shareholders last December, cut short the tax holiday, retroactively to the beginning of 1974, introduced an excess profits tax and modified the depreciation provisions.

The resulting formula, which promptly generated K66.5m. of tax revenue in respect of last year's operations, is considered the blueprint for all future exploitation of Papua New Guinea minerals, and is therefore described more fully in the

article dealing generally with official policy toward foreign capital.

It was an important feat, that the cap of the new government had succeeded in a way generally satisfied domestic opinion, the international investment fraternity, and company.

So much for the past. It be that 1974 will prove to represent the peak of 1 fortunes, for reasons unrelated with politics. This year seen copper prices declining, and Japanese buyers, ing delays in contracted deliveries. No doubt these are temporary inconveniences, and we will have their upswings, remaining 27 years or so of mine's life.

What promises to be, however, is a decline in the grade of ore milled for average of 0.70 and about 1972-74. The company mined relatively high-grade to begin with because it is top. Current results are to show values down to 0.6 per cent., which means less revenue, but not necessarily less employment, or would have, but for the two or three employees rioting in May, around-the-clock operation were disrupted for the first time. (Reasons for the disturbance have not been established, but one possibility is that implementation of government's minimum wage legislation incensed highly paid workers whose differentials being whittled down.)

Problems and all, and the managing director, Mr. Vernon, took over on 171, has plenty of BCL's valuable property. No that is how it will emerge the present political crisis. However, there is the of getting through it. The pany's attitude is that absolutely bound by its commitments with Papua New Guinea. It has no doubt that the of the Australian Government, opposition and general, is that it should scrupulously honour these contracts, addition it considers Bougainville's own long interests are not served by secession.

## Links with Australia

AUSTRALIA'S shortcomings as a colonial power were surely heart in what it was doing. The haste, to confer independence that began with the return of Labor Party government in Australia has vacillated 1972 has itself seemed to be dictated less by concern for Papua New Guinea's best interests than by the figure Mr. Whitlam's government wished to put on the world stage.

The final, hurt came last month when Canberra presented Port Moresby with a decrease of aid (in real terms, excluding golden handshakes, to former Australian personnel, and the way arithmetic is done in Papua New Guinea) with which to launch out on its first year of independence. This strange send-off, which could have harsh repercussions on Papua New Guinea's Budget on September 30, apparently had nothing to do with what Australia judged to be Papua New Guinea's real needs. It was simply the result of a tight fiscal policy in Canberra which was unthinkingly extended to Papua New Guinea in an extreme form.

Independence does not mark the end of close relations between the two countries. They are stuck with each other for the foreseeable future.

From Papua New Guinea's point of view, there is no doubt it will need external aid to provide even the most rudimentary public services for the next ten years at least, and perhaps for much longer.

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The Government of Papua New Guinea recognises the need for foreign investment in a number of sectors and industries. The provision of venture capital, technical skills, management expertise and access to overseas markets through the participation of foreign investors is still required in the achievement of national goals. At the same time, however, the Government wishes to ensure that foreign investment is channelled into those industries where it is most needed, and in a form which provides the greatest benefit to the country and its people.

In December 1974, the National Investment and Development Authority (NIDA) was established as the body responsible for co-ordinating all of the Government's relations with foreign investors. NIDA should be the first point of contact for any foreign investor. All investors must seek registration with NIDA prior to initiating activities in Papua New Guinea.

For further information, please write to:—

The Executive Director  
National Investment and  
Development Authority  
P.O. Box 5053  
Boroko  
Papua New Guinea

هك امان الله



# A policy for development

THEN a self-governing Papua New Guinea first gave thought to foreign capital, the thought was about how to control it. This PNG was no doubt influenced by the mood of economic nationalism sweeping Australia, and the same fears of foreign investors could not be trusted to declare (and pay taxes on) true profits and in general to behave as loyal and honourable citizens. There was a further complication that investment had come from Australia, the colonial power, that political prejudices reappeared and reinforced the economic ones.

## Supervise

A desire to monitor and supervise was recognisably the starting point of the framers of the National Investment and Development Act, passed last November to set up the National Investment and Development Authority (NIDA). However, other forces were also at work and are reflected in the legislation, namely those which had Papua New Guineans themselves have a horrid time materially unless they can confine attract overseas development capital (having virtually none of their own).

Thus NIDA is an agent of investment promotion as well as of control. It remains to be seen whether these functions can co-exist satisfactorily, as they are intended to do by a formula of making it clear some kinds of foreign capital are welcome, though handing out special favours, while deterring foreigners from some activities and generally requiring as much local participation as possible.

Present thinking rests on the

assumption that investors' interests and those of the nation are so strong and complementary in some spheres that investment is bound to be forthcoming and need have no fears about fair treatment.

This underlies the resources development policy. It is assumed that foreigners want the country's minerals, timber and deep sea fish. These are for sale because Papua New Guinea needs the revenue, both from a fiscal and foreign exchange point of view (though mostly the former). Foreign capital that will yield such benefits is therefore keenly sought, not only to exploit the resource but preferably also to create the necessary infrastructure.

Officials explain that there are three basic guidelines governing the terms Papua New Guinea will seek to negotiate. These are (1) that the resources are ultimately owned by the people and therefore that Government wants to be a partner in all big development projects (but only wants enough of the equity to ensure a seat on the board, not so much that it incurs "major management responsibilities"); (2) that the lion's share of any windfall gains would go to the Government; and (3) that the investor must get a fair return, meaning not merely that he will be satisfied, but more particularly that future projects (not necessarily involving the same investors) will materialise. The corollary is that Government will maximise its revenue, both in the medium and long runs.

This clearly suggests Port Moresby would like a string of mining agreements similar to that negotiated with Bougainville Copper last year (and in

operation since December 23). The terms of this are, first, that the Government still has 20 per cent of the equity (it sought no more), for which it paid and from which it derived dividends of K14.7m. last year.

Second, there is a royalty payment of 1.25 per cent of sales (K3.5m. last year) which Government has permanently made over to the people of Bougainville. "The payment can be seen as meeting any obligations to reward local groups for the use of the resource," an official statement explains.

Third, the tax formula is designed to ensure that Government gets most of any profits which could be considered abnormally large. Bougainville's direct tax contribution last year was K66.5m, yielded by normal company tax (33.3 per cent) on profits equivalent to a return of 15 per cent on capital invested (K87m. last year), and an excess profits tax of 70 per cent on earnings over and above that level. The exact formula is more complicated, and last year included a concessional rate for six months, but this is the gist of it.

Fourth, the mine's tax holiday was abolished. Fifthly, Government also drew K3.8m. from its 15 per cent dividend withholding tax payable by non-resident shareholders.



Prime Minister Michael Somare.

These arrangements are believed to have had the full support of the Papua New Guinea Cabinet by which they are regarded as fair and final settlement (important considering there was a diversity of views, some favouring nationalisation and some not particularly well-informed, when the renegotiation began).

Officials stress that the Bougainville renegotiation was a

vestment become progressively less clear and well-defined as the size of a project and its likely contribution to the national exchequer diminish.

In the case of timber, the World Bank recommended large integrated operations in 1966, and the colonial Government began the work which is leading to opening up of about 2m. hectares of natural forests to commercial exploitation (about 40m. ha. of the country's total land area of 46.5m. ha. is tree-covered, and about 8m. ha. are considered commercially accessible).

Large concessions are definitely preferred to the old saw-mill-type operations, of which there are about 80, mostly small and mostly Australian-owned. However it would not be true to say that the conditions for future projects are completely worked out yet (see next article).

Nida is responsible among other things for helping to compile a national investment priorities schedule, to be updated annually. This exercise will not doubt help to focus the official mind on particular needs and actual results.

The first priorities schedule includes (for foreign investment) such manufacturing activities as fish canning, cement production and all stages of palm oil production (including

oil palm cultivation). A reserved list specifies activities in which additional foreign investment is not wanted (and existing foreign businesses may not expand their operations "beyond normal sales growth" without Government approval).

Among these are cocoa and copra processing (pre-milling), some small-scale manufacturing and retailing and all passenger road transportation.

However, foreign investors who are accustomed to being wooed by duty-free zones, tax holidays and other inducements will not necessarily be impressed. Intending manufacturers will in principle have to comply with 13 conditions from training Papua New Guineans for all levels of employment, to having off some equity to local partners, and providing their own infrastructure if services are not already available.

Also, it is not particularly reassuring to a foreign investor to be given the "guarantee" that he will be allowed to remit earnings and capital "subject to any laws relating to exchange control".

But it is early days. If the existing policies do not bring results, it seems safe to say they will be changed. On all present indications that will mean approved foreign investors can look forward to being

made as welcome someday as they are in Singapore, Mauritius and many other developing countries, and can hope for guarantees of non-discrimination and, in suitable cases, of exemption from any future exchange control.

That would very likely happen when Papua New Guineans realise fully what their needs are. It could be so even if industrial development is to be concentrated in enclaves, so as to preserve traditional ways of life as far as possible. However, enclaves are probably a nonsense, for the very good reason that they do not represent what the people themselves want (and almost every politician will be trying to attract investment to his own area).

The basis has been laid for Papua New Guinea to follow the usual (and often successful) post-colonial route to increases in its national income, driven by the engine of foreign capital, even though the objective is nowhere spelt out in all the plans, aims and guidelines. The alternative is that it may veer round and attempt to squeeze the last drop out of existing generators of wealth, forfeiting any hope of attracting new foreign investment. That would be extremely short-sighted.

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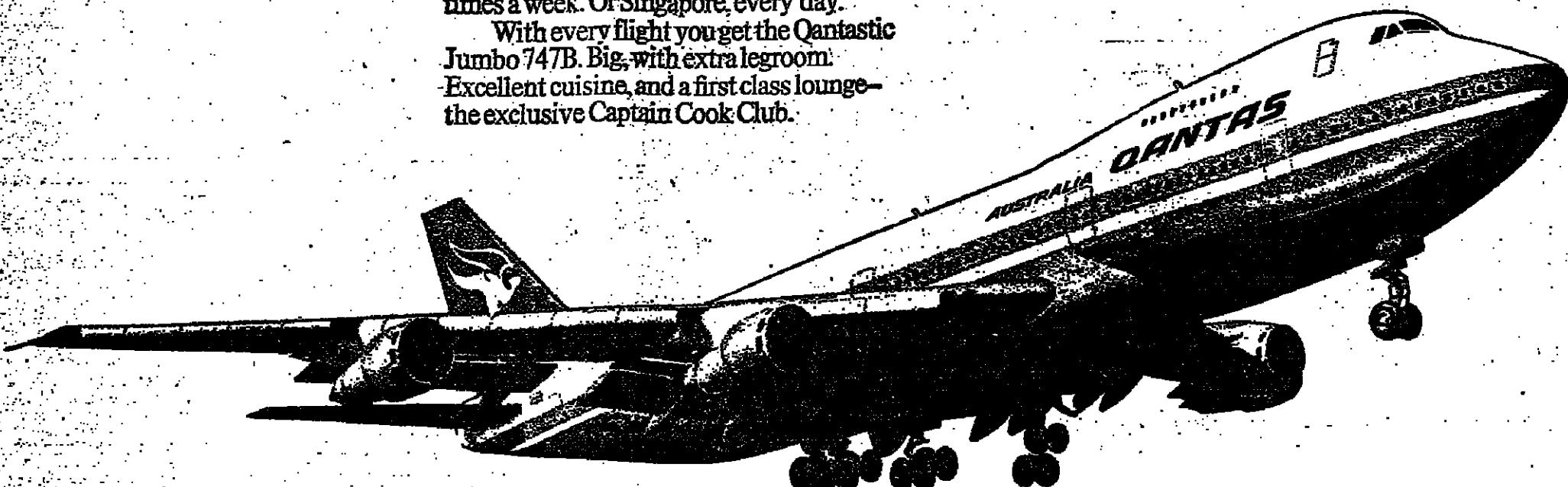
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## The trading pattern

FOREIGN TRADE looms large of a useful field or large-scale exploitation of natural gas (each element of 70 per cent of gross of which is at this stage no domestic product. Traditionally more than a possibility). Exports predominated, no doubt, affecting the fact that the timber, but this only accounts for around 3.5 per cent of the fringe, not the main body of exports at present, so that national life. On the whole, the progress will have to be marked seemed too small for spectacular to make any secondary industries (with impression on aggregates, exceptions, the main ones being Official policy is leaning against and cigarettes) and the allowing timber to be shipped as an purpose of imports was to logs (accounting for 70 per cent of receipts at present), but thoughts of pulp-making are roughly, they were balanced still in their infancy and humble the labours of those same sawmilling seems to be the main hope, as producers of gold, value-adding process available own timber and copra, and in at the moment.

This year a spurt in coffee exports is expected, in view of the world price trend. In general, however, agricultural produce is unlikely to yield growth worth mentioning for a long time, in keeping with the policies of gradual modernisation of the sector favoured by the Government (large-scale crop units and plantations, inevitably involving expatriates, will not be encouraged, with the notable exception of oil palm cultivation).

The recent import picture has reflected the growth of local incomes and covers a wide range of consumer goods. The main change over the past couple of years has been the running down of purchases of consumer durables previously bought by expatriates and increased demand for goods in the lower price ranges.

Food imports are still a surprisingly high 28 per cent of the total and appear to offer the greatest scope for local production substitution in the short run. Meat, dairy products, canned fish and sugar are obvious examples. The country imports around 60,000 tons a year of cement, one of the industries on the short list of the national investment priorities schedule.

Adverse Import figures are given FOB, with no indication of freight and insurance costs, nor has any estimate of invisibles as a whole been published yet. However, it is certain Papua New Guinea has a significant and chronic adverse balance of invisibles account, enough to have meant Copper (the Bougainville mine) now provides more than 1974-75 despite the small trade off of total export revenue surplus of K25.4m.

The overall balance will be in the red in 1973-74 when copper prices were exceptional, bolstered by Australian aid for (ly high). This promises to be several years, and it is hoped long-term feature of Papua also by injections of private Guinea's external trade, in capital into big development projects.

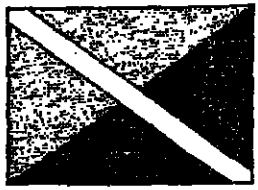
However, Government is unlikely to feel completely relaxed until the normal rate of her minerals ventures. The increase of imports becomes a thing that could upset this apparent, and proves to be less reduction in the next decade, than the 76 per cent indicated (annual figures apart, would be by the preliminary statistics for 1974-75, the discovery last year.



NATIONAL INVESTMENT DEVELOPMENT AUTHORITY



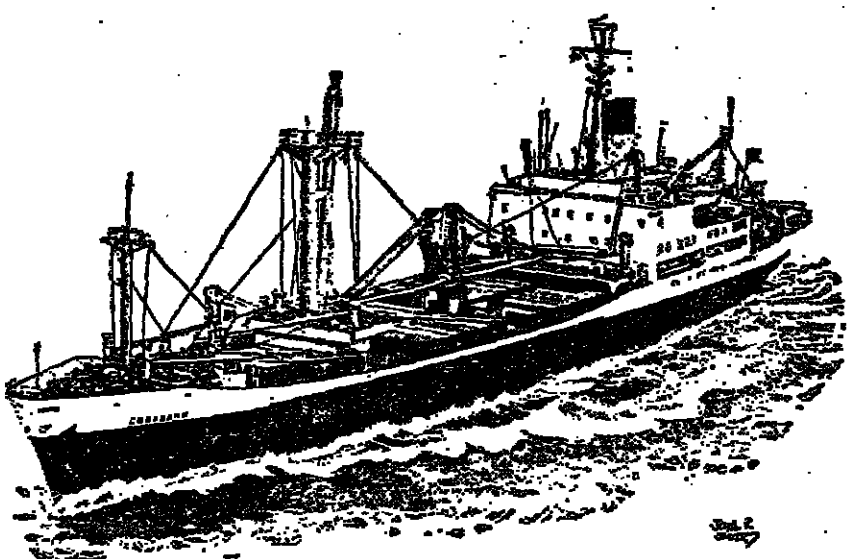
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## PAPUA NEW GUINEA VI



The House of Assembly in session.

# Foreign investment

MOST of Papua New Guinea's minds about investing largely capital stock has come from the criterion of (after tax) Australia, but in future most of profits that ventures look like its foreign capital will probably yielding.

Japan already features in some ventures, including fishing in the Bismarck Sea (within the 12-mile limit). But this has by no means been the only significant injection of foreign capital in the past decade. Incomparably the largest investment has been the K400m. spent by Bougainville Copper. Four companies have concessions and are recorded as having exported 40,000 tons of tuna in 1973-74, valued at around K11m.

However, these contracts are sourly regarded in Port Moresby, where it appears that fishing rights were carelessly signed away. For instance Government has had no method of checking on the activities of the fleets, each served by a mothership, and the hoped-for shore-based operations seem no nearer than they were when contracts were concluded.

In the past year a start has been made in setting up a fisheries inspection service to monitor the quality and quantity of catches, but honour will probably not be satisfied until someday the agreements are renegotiated. Timber attracted Japanese interest from the moment it was decided to go for large-scale operations (the ground-work for this was done in 1968-1971).

First in was Honsha Paper (in August 1971), with a 63,000 ha. concession near Madang. Then in June 1973 the 183,000 ha. forest surrounding Open Bay, New Britain, was awarded to a consortium of Sobhu (a subsidiary of Heiwa Sogo Bank), Theiss Bros. of Australia and the Government. The Japanese partner has 70 per cent.

The basic formula is that the concessionary puts up a saw-mill, a chip mill and a veneer mill. As the land is cleared it reverts to its traditional owners. As in the case of fishing, these original contracts now seem too loosely framed. Among other matters, it is claimed that two-thirds of logs have been exported as such, with no local processing. Also, no enforceable provision was made for reforestation, though it was envisaged that Government and concessionary would come to some arrangement about it.

Five more projects are now in the pipeline involving more than 1m. ha. The first, at Sagara-Gadai, has already had Cabinet approval and involves a Hongkong-Singapore partnership. The others ventures are shaping up to be Japanese (Nishio Iwai) at Kapiura, Australian (Consine Riotinto of Australia and two partners) at Kusumi, Korean (either Hyundai Construction or Dong Wha) at Kapuluk, and American (Parsons and Whitmore) at Vanimo, the biggest (261,000 ha.).

The basic contract now gives a 5-year quota for unprocessed log exports, which is intended to generate cash flow for the investor and to facilitate initial clearing operations. However it seems that a permit to start felling may be withheld after contracts have been signed, until Government has approved the company's working plans, including a replanting scheme.

Replanting is not a simple matter because it requires agreement of the landowners, and means that the land will have to be set aside for 25 years. The Government plans to have a majority stake in the second crop, and may need to acquire the land from the local villagers to launch the scheme at all. However the official mood is that timber resources must be renewed, and this feeling will no doubt grow stronger as natural forests proceed to disappear.

Each venture is reckoned to involve an investment of about K30m., including access roads and port facilities. There are hopes of a pulp mill in future, though this would raise the capital cost of a project to about K300m. Papua New Guineans have been told their hardwoods are unsuitable for fine papers, but have a healthy suspicion that investors who make such

statements have a vested interest in making the product appear less valuable; then it really is.

Underground, foreign capital has yielded finds of a number of minerals, but principally copper. Kennecott spent K13m. in the Ok Tedi area, close to the western border, in 1968-71 and established reserves of 250m. tons averaging 0.3 per cent. copper. Gold and molybdenum would also be recoverable. However the company dropped out in the past year and the property is now held by the Government (through a vehicle called Ok Tedi Development Company) which is continuing field work and looking for somebody else to take over the major share. The snag is that the area is inaccessible and about K250m. will have to be spent on essential infrastructure.

After three years of talking to Government about mining conditions, Kennecott finally banked at a couple of provisions from which Government many wells are sunk. The Japanese consortium is expected to be completed by September, 1977. The Japanese consortium is expected to be completed by September, 1977. The Japanese consortium is expected to be completed by September, 1977.

The question is whether Government tried to drive too hard a bargain? The answer given in

the Gulf district a partnership of BP-Mobil Oil search have found 1,000bn. cubic feet of natural gas. It is considered that three times these reserves will be needed for a commercial field, which is why a 17-member Japanese consortium has been allowed in to drill a minimum of three and possibly mine wells at a cost of K20m. and in return for between 15 per cent and 40 per cent of the equity (depending on how excess profits tax which both known locally as PNG Petroleum would not retreat (including an

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## Congratulations to Papua New Guinea on its Independence Day

### HYUNDAI CONSTRUCTION CO., LTD.

Head Office: 92, Mukyo-Dong, Chung-ku, Seoul, Korea  
Tel.: 28-7221/9 Telex: HYUNDAI K2309  
Cable: HYUNDAICO Seoul

Lae Branch: P.O. Box 1303  
RM. #12, I.P.I. Bldg., 2nd Street  
Lae, Papua New Guinea  
Tel. No.: 42-4881, 4853  
Tlx. No.: HYUNDAI NE 42536 NEW GUINEA  
Cab. Add: HYUNDAICO LAE

## Construction in Papua New Guinea

Barclay-Mowlem (PNG) Proprietary Limited are the largest contractors for site works at the vast Bougainville copper mine development. Barclay Bros. (New Guinea) Pty. Ltd., their wholly owned subsidiary company, has been operating throughout the Territory on major construction works since 1969.

Important undertakings completed include: Port works, roads and bridges, hospitals at Arawa, Lae and Madang and commercial, institutional and amenity projects.

If you need design and construction expertise and local experience in the newly independent Papua New Guinea, we can help you. Please contact:

Barclay-Mowlem (PNG) Pty. Ltd.,  
P.O. Box 277, Lae,  
New Guinea, P.N.G. Telex: PNGS25

or, in London: Overseas Division,  
c/o John Mowlem and Company Limited,  
01-568 9111 extension 369

هكذا من الأصل





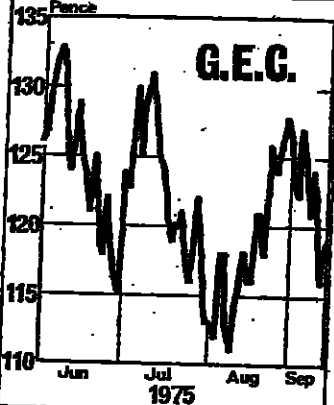


# Equity markets shrug off early bout of uncertainty

## Index up 3.3 at 321.8, after 316.6—Gilts improve

512.7	880.1	820.2	519.1
288.6	302.2	289.4	311.2
6.56	6.47	6.42	6.44
18.11	17.92	18.00	18.05
7.84	7.92	7.85	7.96
4.402	4.780	2.140	5.404
53.90	54.26	43.28	48.59
10.279	10.769	11.525	12.536

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Low		Sept. 25
99.18 (91/17)	Daily	
90.55	Q11-Eldged	144.5
91.76	Industrials	150.
49.4	Speculative	40.0
(25/40)	Totals	104.6
43.5	Q11-Eldged	143.1
(35/107)	Industrials	152.8
	Speculative	41.3
	Totals	102.9

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**Highfields, 2 dealers at 36  
voted the only change  
Tues.**

**Gold quiet**

It was a quiet, though a  
firm, day in Mining as

FINANCIAL TIMES STOCK INDICES									
	Sept. 18	Sept. 18	Sept. 11	Sept. 10	Sept. 9	Sept. 8	Sept. 7	Sept. 6	Sept. 5
Government Secs.	61.51	61.03	60.83	61.16	61.57	61.07	61.33	61.33	61.33
Fixed Interest	60.85	60.58	60.56	60.82	60.98	60.98	60.98	60.98	60.98
Industrial Ordinary	327.5	318.5	317.5	330.1	328.0	328.2	319.2	319.2	319.2
Gold Mines	394.9	389.5	388.6	392.2	390.4	391.2	391.2	391.2	391.2
Ord. Div. Yld. %	6.43	6.49	6.56	6.47	6.47	6.47	6.49	6.49	6.49
Earnings Yld. (Gross)	17.80	17.86	18.11	17.98	18.00	18.00	18.00	18.00	18.00
P/E Ratio net av. (b)	7.97	7.90	7.84	7.92	7.88	7.88	7.88	7.88	7.88
Dividends marked	4.596	4.128	4.403	4.780	5.140	5.140	5.140	5.140	5.140
Equity turnover %	—	33.86	33.90	34.36	43.32	43.32	43.32	43.32	43.32
Equity bargain total	—	6.535	10.979	10.765	11.925	12.635	12.635	12.635	12.635

19 a.m. 316.8 11 a.m. 317.7 Noon 333.1 1 p.m. 333.4									
Index 30-240 323.2									
(a) Based on 38 per cent. corporation tax. (b) NY-32									
Basis 100 Gov. Sec. 12/1/52. Fixed Int. 133. Ord. Div. 17/76									
Mines 12/1/52. SE Activity July-Dec. 1952									

HIGHS AND LOWS				S.E. ACTIVITY	
	1956		Stock Completion		Sept. 18
	High	Low	High	Low	
Govt. Secs.	62.54 (20/5)	40.18 (9/1)	127.4 (9/13/56)	49.18 (31/7/56)	144.8 (15/1/56)
Fixed Int.	62.31 (21/5)	50.65 (15/4)	150.4 (10/7/56)	50.53 (31/7/56)	40.0 (10/6)
Ind. Ord.	365.5 (16/8)	180.0 (1/1)	315.0 (13/10/56)	225.0 (25/6/56)	145.8 (15/1/56)
Gold Mines	442.0 (22/6)	280.2 (10/7)	442.3 (32/6/56)	45.5 (15/10/56)	152.5 (15/1/56)
					109.5 (15/1/56)

S.E. ACTIVITY	
	Sept. 18
Debt	144.8
Equity-Edged	150.1
Index	150.1
Speculators	40.0
Specialists	109.6
Long Average	145.8
Equity-Edged	152.5
Index	152.5
Speculators	43.5
Specialists	109.5

Gold shares were helped modest rally in the bulling and the slight improvement in investment dollar premic business in London and a few shares was curtailed. Jewish Yom Kippur. The gold mines index is 5.4 to 294.8 while the met- was 621 cents up at \$148. ounce. Despite the relative dividend payments. Wta were 25 to the good at \$35 St. Helena was a half-pot \$571. Otherwise, Durban gained 35 at \$239 and P Brand were 1 higher at £ There

## F.T.—ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, The Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS		Monday, Sept. 15, 1975						Friday Sept. 12		Thurs. Sept. 11		Wed. Sept. 10		Tuesday Sept. 9		Year ago (approx)		Highs and Lows Index			
GROUPS & SUB-SECTIONS		Index No.	Day's Change %	Est. Yield % (div.)	Gross Div. Yield % (incl. Div. Tax 50¢)	Est. P/E Ratio (incl. Div. Tax 50¢)	Est. P/B Ratio (incl. Div. Tax 50¢)	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	Index No.	1975	Since Compilation			
Figures in parentheses show number of stocks per section.																		High	Low	High	Low
<b>CAPITAL GOODS (179)</b>		117.25	-0.1	19.71	6.94	7.56	7.55	117.32	117.15	118.34	117.65	74.08	131.26	51.78	805.37	15.70					
Building Materials (30)		110.45	+0.8	15.80	7.21	9.01	9.60	109.57	110.95	110.90	109.82	71.56	147.40	45.11	222.72	13.12					
Contracting, Construction (23)		219.89	+0.2	16.54	4.21	9.02	9.02	219.38	219.80	220.57	219.94	109.73	231.61	122.40	226.72	11.27					
Electricals (17)		204.79	-1.1	20.04	5.66	7.31	7.31	207.85	205.13	209.85	210.90	156.85	234.64	96.48	350.04	64.71					
Engineering (Heavy) (13)		145.10	-0.4	23.84	7.48	6.39	6.39	144.50	144.08	145.54	145.08	89.93	159.79	62.59	205.88	10.29					
Engineering (General) (53)		100.78	+0.1	21.81	3.80	6.76	6.76	100.05	100.05	101.25	100.30	65.89	112.91	62.14	156.59	45.43					
Machine and Other Tools (9)		39.86	-0.5	19.71	10.42	9.26	9.26	39.79	39.57	39.85	39.78	38.64	46.98	20.11	136.70	19.95					
Miscellaneous (34)		102.44	-0.4	28.58	7.67	6.59	6.59	102.85	102.64	102.32	101.85	56.97	121.75	62.65	177.71	48.65					
<b>CONSUMER GOODS (DURABLE) (37)</b>		92.66	-0.5	19.30	6.65	7.56	7.54	93.14	92.94	93.38	92.53	57.68	94.56	36.39	327.76	58.59					
Electronics, Radio TV etc. (15)		111.53	-1.0	17.67	4.80	8.56	8.56	112.63	111.71	111.54	111.79	63.14	114.17	44.28	307.41	43.85					
Household Goods (15)		137.64	-0.1	18.70	7.44	7.76	7.76	137.56	137.68	137.79	136.70	53.44	145.30	64.53	363.23	68.95					
Motors and Distributors (27)		46.97	+0.1	22.87	9.31	6.27	6.24	46.92	47.31	47.37	46.69	32.78	60.91	19.21	146.79	18.65					
<b>CONSUMER GOODS (NON-DURABLE) (158)</b>		131.33	+0.6	15.24	6.45	9.49	9.43	130.68	128.56	130.77	130.60	79.37	146.45	51.98	228.08	51.41					
Breweries (15)		152.30	+2.0	15.15	6.72	11.53	11.53	149.32	147.31	148.65	148.03	89.31	163.83	75.58	281.87	69.47					
Wines and Spirits (7)		133.50	-0.6	14.58	7.61	10.35	10.35	134.31	139.93	132.12	132.13	108.45	177.94	50.45	237.40	54.85					
Entertainment, Catering (16)		148.91	+0.6	14.02	7.55	11.07	10.51	148.08	147.74	149.08	148.42	76.33	159.71	61.13	137.78	129.73					
Food Manufacturing (22)		142.79	+0.2	14.39	5.67	9.55	9.51	142.48	141.77	142.88	141.13	73.69	156.57	62.03	211.65	59.77					
Food Retailing (16)		155.69	+1.7	10.79	4.75	13.29	13.29	152.43	152.64	153.05	152.47	71.89	149.17	58.12	115.72	101.84					
Newsletters, Publishing (15)		133.51	-1.4	15.45	7.30	9.86	9.86	131.65	132.97	133.48	139.95	94.63	156.14	55.05	253.92	55.08					
Packaging and Paper (13)		89.54	-2.0	24.66	8.21	5.95	5.95	87.61	86.65	88.89	85.60	60.15	107.12	43.46	135.69	43.46					
Stores (32)		111.08	+0.6	13.07	5.88	11.70	11.70	110.38	109.83	110.54	112.69	68.25	120.44	43.43	224.72	43.43					
Textiles (23)		138.65	+0.2	24.68	7.72	8.95	8.95	138.31	137.26	139.06	139.01	93.79	145.07	62.31	255.72	62.66					
Tobacco (3)		138.98	-0.6	17.93	7.15	8.49	8.49	139.11	138.38	139.04	139.51	118.92	159.16	109.92	231.13	94.34					
Toys and Games (6)		54.01	-1.6	25.21	6.71	5.50	5.50	53.18	53.07	52.65	51.10	30.84	54.01	20.92	155.79	20.92					
<b>OTHER GROUPS (92)</b>																					
Chemicals (34)		170.48	-1.3	16.62	5.62	8.43	8.43	168.37	168.92	169.40	169.47	99.09	159.17	75.14	201.92	71.20					
Office Equipment (10)		77.14	-2.2	17.85	7.75	7.93	7.93	76.28	75.49	75.53	81.61	64.90	90.90	41.12	311.69	112.74					
Shipping (13)		339.34	-	24.16	7.07	5.30	5.12	339.46	338.76	339.82	336.74	232.91	401.84	194.38	517.00	91.70					
Miscellaneous (46)		149.31	-0.3	16.62	5.62	8.43	8.43	148.37	148.37	148.37	148.37	99.09	159.17	75.14	201.92	71.20					

INDUSTRIAL GROUP (496)	123.76	-0.5	17.23	6.65	8.39	5.36	128.16	127.82	126.84	128.52	79.88	145.43	59.19	220.17	59.01
STOCKS (4)	296.58	-0.6	16.97	6.43	6.68	5.89	128.05	127.56	126.49	129.57	156.34	305.59	105.88	457.66	87.23
300 SHARE INDEX	148.66	-0.5	17.18	6.37	8.04	7.83	141.99	141.66	142.74	142.39	85.30	156.14	63.49	251.05	63.49
FINANCIAL GROUP (100)	125.77	+0.6		5.72	-	-	124.95	124.59	125.53	125.38	81.46	149.48	56.90	241.41	55.88
Banks (6)	149.46	+2.0	19.74	7.55	7.76	7.76	145.85	146.80	147.89	147.65	86.36	177.12	61.91	113.47	113.12
Discount Houses (9)	150.98	-0.3	-	8.01	-	-	151.45	151.72	152.51	152.39	108.77	169.27	64.15	239.15	61.40
Life Purchase (5)	90.27	-1.9	20.05	9.35	7.14	8.57	92.06	92.06	91.94	90.17	83.21	134.39	42.81	233.78	59.83
Insurance (Life) (9)	108.09	-0.1	-	6.82	-	-	108.24	108.06	107.32	105.81	66.68	127.97	44.41	145.02	112.74
Insurance (Composite) (7)	101.08	-	-	6.61	-	-	101.00	100.90	101.93	102.35	55.55	125.44	42.41	145.02	101.76
Insurance (Brokers) (8)	192.77	-0.7	10.49	4.51	14.17	14.17	191.55	189.57	189.00	190.34	100.74	210.31	60.96	266.57	65.86
Merchant Banks (19)	82.57	-2.3	-	6.54	-	-	80.88	81.56	81.44	80.38	57.78	94.97	51.21	278.57	31.21
Property (32)	168.06	-0.3	3.70	6.83	44.41	48.18	162.60	161.41	163.18	163.43	136.21	241.22	68.19	157.10	117.59
Miscellaneous (5)	63.56	-0.3	16.01	10.50	9.40	9.29	63.55	63.71	63.71	63.98	53.88	72.74	47.11	91.12	60.48
Investment Trusts (50)	128.56	-0.4	3.26	4.68	30.73	50.71	123.21	123.47	123.56	123.06	91.83	178.53	75.45	245.70	71.63
GLOBAL SHARE INDEX (650)	126.73	+0.5	-	6.14	-	-	126.10	125.73	126.70	126.62	65.51	161.11	62.47	113.12	113.12

MODIMITY GROUPS		1930												1931												1932												1933												1934												1935												1936												1937												1938												1939												1940												1941												1942												1943												1944												1945												1946												1947												1948												1949												1950												1951												1952												1953												1954												1955												1956												1957												1958												1959												1960												1961												1962												1963												1964												1965												1966												1967												1968												1969												1970												1971												1972												1973												1974												1975												1976												1977												1978												1979												1980												1981												1982												1983												1984												1985												1986												1987												1988												1989												1990												1991												1992												1993												1994												1995												1996												1997												1998												1999												2000												2001												2002												2003												2004												2005												2006												2007												2008												2009												2010												2011												2012												2013												2014												2015												2016												2017												2018												2019												2020												2021												2022												2023												2024												2025												2026												2027												2028												2029												2030												2031												2032												2033												2034												2035												2036												2037												2038												2039												2040												2041												2042												2043												2044												2045												2046												2047												2048												2049												2050												2051												2052												2053												2054												2055												2056												2057												2058												2059												2060												2061												2062												2063												2064												2065												2066												2067												2068												2069												2070												2071												2072												2073												2074												2075												2076												2077												2078												2079												2080												2081												2082												2083												2084												2085												2086												2087												2088												2089												2090												2091												2092												2093												2094												2095												2096												2097												2098												2099												2100												2101												2102												2103												2104												2105												2106												2107												2108												2109												2110												2111												2112												2113												2114												2115												2116												2117												2118												2119												2120												2121												2122												2123												2124												2125												2126												2127												2128												2129												2130												2131												2132												2133												2134												2135												2136												2137												2138												2139												2140												2141												2142												2143												2144												2145												2146												2147												2148												2149												2150												2151												2152												2153												2154												2155												2156												2157												2158												2159												2160												2161												2162												2163												2164												2165												2166												2167												2168												2169												2170												2171												2172												2173												2174												2175												2176												2177												2178												2179												2180												2181												2182												2183												2184												2185												2186												2187												2188												2189												2190												2191												2192												2193												2194												2195												2196												2197												2198												2199												2200												2201												2202												2203												2204												2205												2206												2207												2208												2209												2210												2211												2212												2213												2214												2215												2216												2217												2218												2219												2220											
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## ACTIVE STOCKS

morina- tion	No. of marks	Closing price (p)	Change on day	1975 high	1975 low
51	1	271	+ 6	302	118
25p	10	70	+ 3	845	28
Ni/pd.	9	336	—	110	113
51	9	43*	+ 1	45*	32*
51	9	105	+ 3	128	47
51	8	38	— 3	68	21
50p	8	35x	+ 3	140	53
25p	8	13*	+ 3	57	20
Ni/pd.	8	16*	+ 3	20*	10*
51	8	93*	+ 3	128	58*
51	7	305	+ 6	310	116
51	7	156	+ 5	175	50
51	7	335	+ 5	355	130
51	7	38	1	100	27
50p	7	180	+ 2	200	62

of active stocks is based on the number of lots

in the Official list and under Rule 163(1) (e).

## NEW HIGHS AND LOWS FOR 1975

The following securities (numbers in parentheses) among those quoted in the tables are information Service yesterday gained new highs and lows for 1975.

**NEW HIGHS (25)**

**BRITISH FUNDS (2)**  
 British Sec. 76/78 Elect. 4/upp 74-79  
 (1) British Sec. 76/78 Elect. 4/upp 74-79  
 (1) British Sec. 76/78 Elect. 4/upp 74-79

**BEERS (3)**  
 American B. P. Greene King  
 (1) American B. P. Greene King  
 (1) American B. P. Greene King

**ENGINEERING (7)**  
 Eng. W. M. Suppl.  
 (1) Eng. W. M. Suppl.  
 (1) Eng. W. M. Suppl.  
 (1) Eng. W. M. Suppl.  
 (1) Eng. W. M. Suppl.  
 (1) Eng. W. M. Suppl.  
 (1) Eng. W. M. Suppl.

**FOODS (6)**  
 Lintond Hides  
 (1) Lintond Hides  
 (1) Lintond Hides  
 (1) Lintond Hides  
 (1) Lintond Hides  
 (1) Lintond Hides  
 (1) Lintond Hides

**BASE LENDI**

## RATES

AFI International	.....
Allied Irish Banks Ltd	.....
Anglo-Portuguese Bank	.....
Henry Asbacher	.....
Banco de Bilbao	.....
Banco de Jerez	.....
Bank of Cyprus	.....
Banque du Rhone S.A.	.....
Barclays Bank	.....
Barnett, Christie Ltd.	.....
Bremer Holdings Ltd	.....
Brit. Bank of Mid. East	.....
Brown Shipley	.....
Cayzer, Bowater Co. Ltd	.....

## Report—3-month Call rates

[illegible]

SHIPPING (1)  
Truist  
TRUSTS (1)  
and West Inc.

**NEW LOWS (12)**  
**AMERICANS (5)**  
 "Steel" 1957 C. 74  
 "Gr. Box" 106  
 "Coke" 106  
**CANADIANS (11)**  
 "S. Ont. Stores" 106  
**CHEMICALS (11)**  
 "N.A." 106  
**INDUSTRIALS (12)**  
 "S. Ont. Stores" 106  
**MINES (13)**  
 "Gr. Box" 106  
 "Steel" 106  
 "Coke" 106

**RAISES AND FALLS**  
**YESTERDAY**

	Up	Down	Stable
<b>Ferns</b>	46	—	8
<b>Dain</b>	29	4	1
<b>Boards</b>	12	4	1
<b>Walls</b>	29	280	1,234
<b>Procs</b>	10	280	68
<b>Issues</b>	4	11	18
<b>Procs</b>	2	5	41
<b>Issues</b>	10	18	85
<b>Issues</b>	14	5	20
<b>Issues</b>	67	380	1,470

Consolidated Credits  
Continental Trade Bk  
Co-operative Bank  
Commerzbank

Bannan  
 Corinthian Securities  
 Credit Insurance  
 G. R. Dawes  
 Duboff Brothers  
 Dutchen Lawrie  
 English Transient  
 First London Sea  
 Anthony Gibbs  
 Goode Durrant Tran  
 Greyhound Guarant  
 Grindlays Bank  
 Guinness Mahon  
 Hambros Bank  
 Harcourt & Partners  
 Hill Samuel  
 Hoare & Co  
 Julian S. Hodge  
 Industrial Bank of Scot  
 Jacobs, Kroll  
 Meyer Ullmann  
 Messager & Co. Ltd.  
 Morda Bank  
 London & European  
 London Mercantile  
 Midland Bank  
 Muel Montagu  
 Owen Grenfell

## KEY MARKET

## erate assistance

Interbank	Local Authority deposits	Local Auth. negotiable bills	Finance house deposits	Company deposits	Discount market deposits
7½-10%	--	--	--	20½-11½	9½-10%
8¾-10%	10½-10¼	--	--	--	--
10%-10½	--	8½-10	10%-11½	--	10-10½
10½-10½	--	10½-10½	10½-11½	--	10½-11½
10½-10½	10%-10½	11-10½	10½-11½	--	10½-10½
10½-10½	10%	11-10½	10½-11½	--	10½-10½
10½-10½	11%-11½	11½-11	11½-11½	--	10½-10½
11%-11½	12%-12½	11½-11½	11½-11½	--	10½-10½

Finance houses seven days' notice—others seven days' fixed  
12½-13 per cent.; four years 13-14½ per cent. five years 13½-14½  
per cent. prime paper, buying rates four-month bill 10½-11½  
per cent. Treasury bills 10½-10½ per cent.  
Note. Approximate selling rates for one-month paper 10½-10½ per cent.  
60-day 10½-10½ per cent. for one-month trade bill 10½ per cent.

Published by the Finance Houses Association 10½ per cent. h  
as seven days' notice 6½ per cent.

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at 10-10 $\frac{1}{2}$  per cent at the level for the most part. As the close, however, rates to 12-10 per cent, and fell to 10 per cent in places.

Term fixed period interest in the various sectors is a little change. The three-month certificate yield, standing at 10 $\frac{1}{2}$ -10 $\frac{3}{4}$  per cent in the table below are in some cases.

Treasury bills %	Bank bills %	Free trade bills %
—	—	—
—	—	—
10 $\frac{1}{2}$	10 $\frac{1}{2}$ -10 $\frac{3}{4}$	11 $\frac{1}{2}$ -10 $\frac{3}{4}$
10 $\frac{1}{2}$ -10 $\frac{3}{4}$	10 $\frac{1}{2}$ -10 $\frac{3}{4}$	11 $\frac{1}{2}$ -10 $\frac{3}{4}$
10 $\frac{1}{2}$ -10 $\frac{3}{4}$	10 $\frac{1}{2}$ -10 $\frac{3}{4}$	11 $\frac{1}{2}$ -11 $\frac{1}{4}$
—	10 $\frac{1}{2}$ -10 $\frac{3}{4}$	—
—	—	—
—	—	—

Source: local authority magazines, etc. Bank's bill rate is 10 per cent, and four-month trade bill rate is 10 $\frac{1}{2}$ -10 $\frac{3}{4}$  per cent. Three-month 10 $\frac{1}{2}$ -10 $\frac{3}{4}$  per cent, and three-month 10 per cent, and three-month 10 per cent.

At September 1, Cleary Bank

Norwich General Trust  
 Portman Guaranty .....  
 S. Refson & Co. ....

Acceptor's Acceptors  
 Trust of Canada  
 Insurance Limited  
 S. Schwab  
 Security Trust Co. Ltd.  
 Stanley & Chartered  
 Trusting Credit  
 Insurance Guaranty  
 Development Bk.  
 12th Century Bk.  
 Bank of New  
 Place Brothers Bank  
 Laidlaw Laidlaw  
 & Glynn's  
 Insurance  
 of the Acceptor's  
 Trust.  
 deposit 64%, 1-month  
 deposits on same of 61%  
 64%, up to £25,000 -  
 £25,000 73%  
 64% Base Rate 74%  
 and deposit 73%

**CORAL INDEX**  
 Case 318-324.

**LG. INDEX**  
 GOLD 147-156

**INSURANCE BA**  
**RATES**  
 Life Insurance  
 on Assurance  
 as above under Insurance

POLLO







### ••BRITISH FUNDS

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0.95	5.61	6.64	6.91	7.17	7.43	7.69	7.95	8.21	8.47	8.73	8.99	9.25	9.51	9.77	10.03	10.29	10.55	10.81	11.07	11.33	11.59	11.85	12.11	12.37	12.63	12.89	13.15	13.41	13.67	13.93	14.19	14.45	14.71	14.97	15.23	15.49	15.75	16.01	16.27	16.53	16.79	17.05	17.31	17.57	17.83	18.09	18.35	18.61	18.87	19.13	19.39	19.65	19.91	20.17	20.43	20.69	20.95	21.21	21.47	21.73	21.99	22.25	22.51	22.77	23.03	23.29	23.55	23.81	24.07	24.33	24.59	24.85	25.11	25.37	25.63	25.89	26.15	26.41	26.67	26.93	27.19	27.45	27.71	27.97	28.23	28.49	28.75	29.01	29.27	29.53	29.79	30.05	30.31	30.57	30.83	31.09	31.35	31.61	31.87	32.13	32.39	32.65	32.91	33.17	33.43	33.69	33.95	34.21	34.47	34.73	34.99	35.25	35.51	35.77	36.03	36.29	36.55	36.81	37.07	37.33	37.59	37.85	38.11	38.37	38.63	38.89	39.15	39.41	39.67	39.93	40.19	40.45	40.71	40.97	41.23	41.49	41.75	42.01	42.27	42.53	42.79	43.05	43.31	43.57	43.83	44.09	44.35	44.61	44.87	45.13	45.39	45.65	45.91	46.17	46.43	46.69	46.95	47.21	47.47	47.73	47.99	48.25	48.51	48.77	49.03	49.29	49.55	49.81	50.07	50.33	50.59	50.85	51.11	51.37	51.63	51.89	52.15	52.41	52.67	52.93	53.19	53.45	53.71	53.97	54.23	54.49	54.75	55.01	55.27	55.53	55.79	56.05	56.31	56.57	56.83	57.09	57.35	57.61	57.87	58.13	58.39	58.65	58.91	59.17	59.43	59.69	59.95	60.21	60.47	60.73	60.99	61.25	61.51	61.77	62.03	62.29	62.55	62.81	63.07	63.33	63.59	63.85	64.11	64.37	64.63	64.89	65.15	65.41	65.67	65.93	66.19	66.45	66.71	66.97	67.23	67.49	67.75	68.01	68.27	68.53	68.79	69.05	69.31	69.57	69.83	70.09	70.35	70.61	70.87	71.13	71.39	71.65	71.91	72.17	72.43	72.69	72.95	73.21	73.47	73.73	73.99	74.25	74.51	74.77	75.03	75.29	75.55	75.81	76.07	76.33	76.59	76.85	77.11	77.37	77.63	77.89	78.15	78.41	78.67	78.93	79.19	79.45	79.71	79.97	80.23	80.49	80.75	81.01	81.27	81.53	81.79	82.05	82.31	82.57	82.83	83.09	83.35	83.61	83.87	84.13	84.39	84.65	84.91	85.17	85.43	85.69	85.95	86.21	86.47	86.73	86.99	87.25	87.51	87.77	88.03	88.29	88.55	88.81	89.07	89.33	89.59	89.85	90.11	90.37	90.63	90.89	91.15	91.41	91.67	91.93	92.19	92.45	92.71	92.97	93.23	93.49	93.75	94.01	94.27	94.53	94.79	95.05	95.31	95.57	95.83	96.09	96.35	96.61	96.87	97.13	97.39	97.65	97.91	98.17	98.43	98.69	98.95	99.21	99.47	99.73	100.00
12.59	12.85	13.11	13.37	13.63	13.89	14.15	14.41	14.67	14.93	15.19	15.45	15.71	15.97	16.23	16.49	16.75	17.01	17.27	17.53	17.79	18.05	18.31	18.57	18.83	19.09	19.35	19.61	19.87	20.13	20.39	20.65	20.91	21.17	21.43	21.69	21.95	22.21	22.47	22.73	22.99	23.25	23.51	23.77	24.03	24.29	24.55	24.81	25.07	25.33	25.59	25.85	26.11	26.37	26.63	26.89	27.15	27.41	27.67	27.93	28.19	28.45	28.71	28.97	29.23	29.49	29.75	30.01	30.27	30.53	30.79	31.05	31.31	31.57	31.83	32.09	32.35	32.61	32.87	33.13	33.39	33.65	33.91	34.17	34.43	34.69	34.95	35.21	35.47	35.73	35.99	36.25	36.51	36.77	37.03	37.29	37.55	37.81	38.07	38.33	38.59	38.85	39.11	39.37	39.63	39.89	40.15	40.41	40.67	40.93	41.19	41.45	41.71	41.97	42.23	42.49	42.75	43.01	43.27	43.53	43.79	44.05	44.31	44.57	44.83	45.09	45.35	45.61	45.87	46.13	46.39	46.65	46.91	47.17	47.43	47.69	47.95	48.21	48.47	48.73	48.99	49.25	49.51	49.77	50.03	50.29	50.55	50.81	51.07	51.33	51.59	51.85	52.11	52.37	52.63	52.89	53.15	53.41	53.67	53.93	54.19	54.45	54.71	54.97	55.23	55.49	55.75	56.01	56.27	56.53	56.79	57.05	57.31	57.57	57.83	58.09	58.35	58.61	58.87	59.13	59.39	59.65	59.91	60.17	60.43	60.69	60.95	61.21	61.47	61.73	61.99	62.25	62.51	62.77	63.03	63.29	63.55	63.81	64.07	64.33	64.59	64.85	65.11	65.37	65.63	65.89	66.15	66.41	66.67	66.93	67.19	67.45	67.71	67.97	68.23	68.49	68.75	69.01	69.27	69.53	69.79	70.05	70.31	70.57	70.83	71.09	71.35	71.61	71.87	72.13	72.39	72.65	72.91	73.17	73.43	73.69	73.95	74.21	74.47	74.73	74.99	75.25	75.51	75.77	76.03	76.29	76.55	76.81	77.07	77.33	77.59	77.85	78.11	78.37	78.63	78.89	79.15	79.41	79.67	79.93	80.19	80.45	80.71	80.97	81.23	81.49	81.75	82.01	82.27	82.53	82.79	83.05	83.31	83.57	83.83	84.09	84.35	84.61	84.87	85.13	85.39	85.65	85.91	86.17	86.43	86.69	86.95	87.21	87.47	87.73	87.99	88.25	88.51	88.77	89.03	89.29	89.55	89.81	90.07	90.33	90.59	90.85	91.11	91.37	91.63	91.89	92.15	92.41	92.67	92.93	93.19	93.45	93.71	93.97	94.23	94.49	94.75	95.01	95.27	95.53	95.79	96.05	96.31	96.57	96.83	97.09	97.35	97.61	97.87	98.13	98.39	98.65	98.91	99.17	99.43	99.69	99.95	100.00																								
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## FINANCIAL TIMES

Tuesday September 16 1975

Best value  
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# P.O. equipment cuts may put 20,000 jobs at risk

BY CHRISTOPHER LORENZ

THE POST OFFICE has warned its telephone equipment suppliers and the Government that it could have to cut its orders for the next two years even more severely than has been feared. The most pessimistic industry source estimates that this could rise to about 20,000 the number of job cuts.

The warning was given by telephone last Thursday, only a day after GEC Telecommunications announced a 4,500 jobs cut-back because of the P.O. cuts, and the very day before the suppliers' top management's long-scheduled meeting with the Second Permanent Secretary at the Department of Industry, Mr. Peter Carey, at which they planned to stress the case for a moderation of the cuts.

It is now clear that GEC's Wednesday announcement, which implied that most of the jobs reduction over the next year would have to be in the form of redundancies—was partly based on P.O. projections for ordering levels in 1976 and 1977, which were given to the industry in June.

These implied, according to industry calculations that P.O. at last Friday's Government ordering of exchange equipment in 1976-77 would total about £100m, or 29 per cent less than had been targeted for the period in July, 1974, and 14 per cent below the profile received as recently as February.

The bombshell which landed on Thursday was that the current year's orders could eventually be cut to only £88m, or as much as 39 per cent below the target set in July 1974, and as much as 14 per cent below the forecast of only three months ago. Last night's consensus in

One interpretation last night was that this was the exact purpose, but another was that it reflected Treasury pressure on the P.O. to cut its cost still further; the P.O. is thought to have insisted that the order cuts in forecast in June, as well as the

to some of the figures was little short of incredulous in parts of the industry. Especially controversial is the "worst case" Crossbar figure of £15m, which is not only 38 per cent below the level forecast in June, but 28 per cent below that now given as the most pessimistic for 1976-77 orders. Yet the P.O. and its suppliers have always agreed that it is undesirable to gear up production to such an extent with such heavy equipment as Crossbar, especially when Crossbar is being run down in any case.

The P.O. was also under fire for producing contingency figures so far below its recent firm forecast at such a late stage in its financial year (which ends in March), one industry comment was that, if they are indeed based solely on demand forecasts, the reliability of the P.O.'s forecasts must be even more questionable than had been thought.

Reliable reports of events at last Friday's Government-Industry meeting, the Industry Department again implied that it would not stand in the way of P.O. cuts, in spite of the serious effect on unemployment, but drew back slightly when faced with the P.O.'s Thursday warning. The meeting also doubled the growing tension between the P.O. and its suppliers.

the industry was that, if applied, the extra cut would add 2,000 to the redundancy total over the next year, pushing the total to between 14,000 and 20,000.

To a background of growing bitterness in P.O.-supplier relations, which came into the open at last Friday's Government-Industry meeting, the industry in 1976-77 would total about £100m, or 29 per cent less than had been targeted for the period in July, 1974, and 14 per cent below the profile received as recently as February.

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## Jensen Motors calls in receiver

By Terry Dadsforth, Motor Industry Correspondent

Jensen Motors, the West Bromwich manufacturer of specialist cars, yesterday became the second quality producer—after Aston Martin—to call in a receiver this year.

Among the factors blamed for the decision by Mr. Kjell Qvale, chairman, were the high level of British inflation, the oil crisis and labour problems.

But Mr. Qvale added that the company's major problem had been the financial strain of meeting the complicated exhaust and safety legislation which has been introduced in all major world markets over the last three years.

He calculates that Jensen Motors, a private concern in which he is majority shareholder, has spent £1m on meeting these regulations.

This is despite the fact that it buys both its engines from outside suppliers—the 7.2

Interceptor unit from Chrysler, and the 2 litre GT engine from Lotus—who have done much of emission work themselves.

Jensen's debts stand at about £4.5m, the major creditor being Bank of America, closely followed by Mr. Qvale himself who has lent the company "substantial" amounts. It was under the terms of the Bank of America debenture that the receiver and manager, Mr. John Griffiths, of City Associates, Birmingham, was appointed yesterday.

Mr. Qvale himself said that he did not expect to rank high among the unsecured creditors, and that he would therefore lose a lot of money on his venture into car production.

He brought the company's assets to the market for sale in 1970, after it had already gone through a number of traumas. Previous to Brandt's—which put management in the hands of the reorganisation specialist, Mr. Carl Duerr—Jensen was owned by Norcross, the Bristol and Tamesworth-based producer of the Scimitar, known to have looked over Jensen, and rejected it, in the past.

News analysis, Page 8

## THE LEX COLUMN

## Lonrho buys, and Tilling sells

Lonrho continues to spray out shares and cash. At one stage before the Boardroom dispute it was interested in Rolls-Royce Motors (of which more later); it has now settled for Volkswagen (GB), for which it is paying Tilling £6.1m. cash, and shares with a current value of £2.8m. This means that over the past 12 months its capital has risen from the equivalent of 78m. to 112m. shares, while its net borrowings have risen by over £50m. Admittedly the bulk of the extra borrowings are matched by bills and receivables at the Balfour Williamson acquisition, and most of the new businesses appear to have adequate management. But

Lonrho is still expansion minded—there is no tax angle in the latest deal, since the group is not bothered by any great ACT worries, and so it is perhaps some comfort that further major share deals will have to be vetted by shareholders. The group is already approaching the limits of its authorised capital, only increased last March.

In complete contrast, Tilling has again shown that it is willing to sell companies as well as to buy them. Following the Jobling and Mercedes disposals for roughly £13m. over the past couple of years, VW is now being sold at around 6 times its average pre-tax profits over the past three years, and at a price which approximates to net worth.

Tilling's interim figures, to be published tomorrow, will consolidate a turnaround of over £3m. into profits by VW in the first half of this year—when its UK registrations rose by around two-fifths on the back of a sharply higher market share. The sale will also clear maybe £5m. of borrowings out of the group's balance sheet, where gearing levels are declining noticeably this year.

At the opposite end of the motor market, the first six months from Rolls-Royce has produced £2.2m. pre-tax against £1.7m. and £3.3m. in the first and second halves of 1974. The second period is two weeks longer than the first and tends to get smoother production runs, and the fall in Sterling will make exports—now taking three-fifths of car output—considerably more profitable this time. All the same, the latest figures only match the 1973 interim, and after an increase of a tenth in average outstanding capital, we are only told that profits "could" be higher this year. This should prove

Index rose 3.3 to 321.8

conservative, but there was no great enthusiasm yesterday for a yield of 9 1/2 per cent and a £23m. capitalisation at 55p. See also Page 21

## Teletusion

Provisions of £311,000 against stocks in manufacturing subsidiaries creamed off part of the final quarter profit gains from Teletusion's Budget-time selling spree, and although the second half produced £2m. pre-tax the total for the year (despite an extra week) was down 9 per cent, to £3.25m. The strengthened cash position

nothing contributed to the opening 1974. For the rest of the United's rights cash (by means of disposals) is to halve the interest charge, profits overall could easily top £15m., against £1m. in 1974.

Thus the group is going to generate a cover of more than four for a dividend, which (for May's £1.5m. rights) is going to rise by a quarter, the shares having risen from a low of 27p this year at 39p a yield of 4 1/2 per cent, now a full point below sector average. And the few doubts that U profits growth in 1975 is to slow dramatically.

At home, cakes and nuts have moved a little later in line with a bit of pub trade—but biscuits actually been depressed by hot weather and volume is 6 per cent lower for months. This half Unit gain from lower food prices, but that will not offset the general weaker demand. There are all price cutting in the UK in the U.S. competitive sales have already had per cent inward into a selling price, with the leader, Nabisco, keeping full watch on Keebler's share which is now getting to a fifth.

See also Page 22

## Pref. dividends

The law, as established test case last July, is Preference dividends should be calculated on the basis of per cent. tax rate, even retrospective legislation misused for next year will rise to 30 per cent. Smith is following the Exchange's recent advice applying the higher rate, for example, its 7 per cent Preference shareholders only getting a half-year dividend of 2.275 per cent instead of the 1.4 per cent originally announced. It will mean a liability to extra when the law is amended. So companies like Smith need to provide for contingencies in their accounts, stockholders are fuming the need to keep an open eye for every Preference gain until the final settlement is made following the Finance Act. The silly year's U.S. acquisition Keebler is being extended this year.

## United Biscuits

United Biscuits' "excellent start" to 1975 turns out to be a rise from £4.3m. to £8.1m. in interim pre-tax profits—all of which can be attributed to last year's U.S. acquisition Keebler

may be more important, however, with the exit from TV assembly being a major factor behind a £7m. improvement in liquidity. And cash flow is now running at around £8m. against probable capital requirements some £1.5m. less than that on the rental side.

Rental prospects remain bright. Customers are locked into existing contracts by the liability to 25 per cent VAT should they switch, effectively removing competitive obstacles to rent increases; one round has already been put through in January. And last year's £1.14m. interest charge should largely disappear. That leaves Teletusion strongly placed to ride out a rough year for its Trident discount store chain: the 6.2 per cent. yield is covered over 3 times.

## See also Page 20

## Bank of England cash for Israel-British creditors

BY STEWART FLEMING

THE BANK of England has agreed to provide £5m. to the liquidator of the Israel-British Bank (London)—Mr. Alan Wheatley of Pricewaterhouse Coopers—as part of an agreement designed to maximise the assets of the bank available to creditors, who include major U.S. and U.K. banks.

The agreement, which has been approved by the Israeli Government and the Bank of England, envisages the joint liquidation of IBB (London) and its Israeli parent company, the Israel-British Bank of Tel Aviv, which have a combined deficit of about £50m.

A further clause in the agreement provides that creditors with under £25,000 owed to them by IBB (London) will be repaid in full.

IBB (London) which had Mr. Harry Landy as its chairman, closed its doors in July of last year. In January this year it was announced that the City of London police were inquiring into its collapse.

It now appears that the Department of Trade is actively considering whether to launch an inquiry into the failure although the department is not to comment yesterday on this aspect of the affair. It pointed out that the Official Receiver is charged with investigating the collapse of IBB (London) and his inquiries are not yet completed.

In a statement setting out the background to the agreement Mr. Wheatley said yesterday it would avoid extensive litigation between the IBB banks which would otherwise be inevitable.

As a result of the agreement to merge the Israeli and U.K. aspects of the liquidation, he anticipated that the division of creditors of IBB (London) might be increased from the 30 per cent. already forecast by the directors to not less than 35 per cent.

The Bank of England and the Israeli central bank have been engaged in negotiations concerning Israel-British Bank for several months. It appears they have agreed to make ex gratia contributions to the liquidation. The Bank of Israel is to subordinate a DM30m. deposit with IBB (London).

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## French border tax on Italian wine illegal, says European Commission

BY ROBIN REEVES

THE European Commission today told the French Government its unilateral imposition of a 12 per cent border tax on Italian wine imports last Friday was "illegal" under the Rome Treaty and must be ended at once.

Rejecting the French claim to be acting within EEC rules, the Commission simultaneously announced a series of initiatives

aimed at helping the French Government to drop the tax and the Italian Government not to carry out its threat of retaliation.

These included a big extension in export subsidies on table wine, abolition of monetary taxes on French and Italian wine into Germany and letters to member Governments in the northern Community calling on them to cut or not to increase excise duties on wine.

Explaining the Commission package, aimed at moving the immediate surplus on the EEC wine market, Mr. Pierre Lardinois, Commissioner responsible for agriculture, singled out the U.K. as having the biggest excise tax on wine in the whole Community—102 units of account per hectolitre or an average 50p a bottle.

"This means the U.K. tax is nearly seven times the price fetched by the producer of wine in the Community. We are going to ask them to cut their excise or certainly not to increase it."

Normally, payments were made within two months, but Italian payments were a year or even more behind, Mr. Lardinois said.

concerned at recent suggestions that it might be doubled. The Commission estimates that the extension of export subsidies—amounts will be fixed shortly—should increase exports of table wine by 25m. to 30m. hectolitres.

Eighteen countries mainly in Eastern Europe and the Mediterranean are excluded because of the Community's trade arrangements. But new sales opportunities could be created in Russia, Austria, Iran and Africa. Export subsidies would cost substantially less than the alternative method of disposing of surplus wine—distillation into alcohol, Mr. Lardinois added.

The other measures agreed by the Commission were a decision to abolish the 12.3 per cent monetary border tax on French and Italian wine going into West Germany, and also the sending of a letter to the Italian Government urging it to remove the backlog in payments due to Italian wine growers from the European Common Farm Fund.

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## France reconvenes conference on energy in October

BY ROBERT MAUTHNER

PARIS, Sept. 15.

PRESIDENT Giscard d'Estaing today sent out invitations to major oil producing and consuming countries to resume their dialogue on energy and development countries' problems on October 13.

A statement issued by the Elysee Palace made clear that the new talks proposed by France would still be in the form of a preparatory conference, as were the abortive discussions which broke down in April this year. A plenary conference will be held only if agreement is reached on an agenda and other basic issues at these preparatory talks.

The participating nations, which attended the April talks, have been invited to the new preparatory conference. The U.S., Japan and the European Community will represent the industrialised consumer nations, Saudi Arabia, Iran, Algeria and Venezuela the oil producers and Brazil, India and Zaïre.

The decision to send out the invitations has been made after contacts over the past few months between France and the prospective participants. It is therefore clear that several of the fundamental problems which led to the breakdown of the conference have already been settled. The U.S. and its International Energy Agency partners wanted the discussions to be restricted essentially to energy problems, at one time but there now seems to be general agreement that raw materials and other developing world problems should be covered.

The participants in the preparatory conference are also agreed that a much larger number of countries—probably about 25—of which 19 would be oil producers and 6 would be industrialised consumer countries and eight consumers—should take part in the plenary conference.

Reginald Dale, Common Market Correspondent, writes:

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